

**WAGE REPORTING AND EARNINGS-RELATED OVERPAYMENTS IN  
THE SOCIAL SECURITY DISABILITY PROGRAMS  
STATUS, IMPLICATIONS, AND SUGGESTIONS FOR IMPROVEMENT**

*PREPARED FOR THE:*

**TICKET TO WORK AND WORK INCENTIVES ADVISORY PANEL**



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## EXECUTIVE SUMMARY

Among Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) beneficiaries who return to work, benefit overpayments are common. The Social Security Administration (SSA) has historically lacked procedures to adequately document beneficiary work activity, and to make adjustments to disability benefit payments in a timely manner. This paper describes the current status of wage reporting, the processing of work activity information, and earnings-related overpayments in the SSI and SSDI programs.

**Importance of Timely Reporting and Processing.** The timely reporting and processing of earnings information is essential to reduce the likelihood of overpayments, which are costly and create an additional administrative burden on SSA. Overpayments are also burdensome to beneficiaries, as are sudden and unexpected terminations of eligibility for cash or health insurance benefits that may result from the untimely processing of earnings information. These types of “shocks,” might create substantial work disincentives for beneficiaries aware of the risks. From the Ticket to Work (TTW) Employment Network (EN) perspective, timely reporting and processing of earnings information is necessary to obtain compensation for successfully serving clients under TTW.

**Extent of Overpayments.** Earned income is the primary cause of overpayments (SSA, 2002). Newly detected SSI overpayments were nearly \$2 billion, or 6% of total outlays in 2001 (SSA, 2003b). For the SSDI program, little information on overpayments is available. One source estimates that about 50% of SSDI overpayment dollars were made to people who should not have received benefits because of earnings, and SSA’s failure to take timely action when SSDI beneficiaries work may account for about \$350 million in SSDI overpayments in 2001 (GAO, 2002a).

**Percent of Beneficiaries at Risk of Overpayments.** Available information on overpayments and the percentage of SSI and SSDI beneficiaries who work suggests that, in a given year, approximately 10% of beneficiaries engage in work activity and thus, are at risk of experiencing overpayments. Annual estimates of beneficiary work activity, however, understate the risk of overpayment because: beneficiaries remain on the rolls for long periods, so exposure to the risk is not limited to annual periods; overpayments often accrue and remain unidentified for many months or years, even after a beneficiary has ceased working; and beneficiaries who work sporadically may be more prone to overpayments, but may be less likely to be working at any given point in time. According to an analysis of beneficiary work activity over a five-year period, 25% of SSI and SSDI beneficiaries have engaged in work activity resulting in earnings of \$2400 or more in at least one calendar year of the previous five (or fewer) since benefit award (Stapleton and Livermore, 2002).

**Recent Initiatives.** SSA has undertaken several recent initiatives that address the issue of timely wage reporting and processing, including:

- TTW-related efforts such as the Disability Control File, the processing of earnings information by the Ticket Program Manager, the funding of benefits specialists to assist beneficiaries, SSA Employment Support Representatives, and the Modernized Return to Work software;
- Increased SSI redeterminations and a focus on processing the Special Title II Disability Workload; and
- Greater access to and use of available electronic earnings information.

**Challenges to Overpayment Prevention.** Despite the recent efforts, numerous challenges remain. From SSA’s perspective, complex program rules governing the treatment of earnings, earnings definitions, evidence requirements, monthly accounting, limited automation, limited resources, diffused responsibility, and competing priorities all contribute to untimely processing of wage

information. From the beneficiary perspective, understanding reporting and evidence requirements and work incentive provisions, accurately estimating monthly income, and taking appropriate follow-up actions represent significant challenges to the timely reporting of wage information. From the EN perspective, tracking TTW participant earnings and understanding evidence and other program requirements represent challenges.

**Suggestions for Improvement.** Actions that SSA might undertake to address some of these challenges are proposed, and include:

- Facilitating and increasing the use of available electronic quarterly earnings information by adopting a uniform definition of earnings, simplifying evidence requirements, and wage averaging;
- Centralizing work CDR processing in cadres similar to SSA's PASS and Special Disability Workload cadres;
- Expanding the formats for reporting earnings and providing timely feedback on the potential impact of earnings on benefits and eligibility;
- Limiting the overpayment liability for working beneficiaries who have appropriately reported their earnings;
- Providing the means for increasing beneficiary awareness of reporting requirements and for promoting greater self-efficacy;
- Establishing mechanisms to measure and monitor post-entitlement (PE) workloads, developing performance standards, and allocating sufficient resources to address PE workloads; and
- Establishing a cross-component PE task force to analyze PE issues holistically, identify and prioritize areas where improvement is needed, develop and implement solutions, and be held accountable for monitoring and reporting on the progress and impacts of the modifications.

**Implications for Ticket to Work.** TTW has brought about many changes, some of which will likely improve the processing of work reports. The fact that these workloads have been inadequately processed in the past could, however, undermine the success of TTW because: beneficiaries fearing overpayments may choose not to participate in TTW; beneficiaries with overpayments that have not been identified but subsequently are uncovered because of participation in TTW will equate TTW with overpayments and may choose to withdraw from working and participating in TTW; ENs submitting their first claims for outcome payments on a Ticket holder will be forced to wait long periods for payment while SSA sorts out years of information to determine whether benefits have gone to zero; and SSA will have permitted the assignment of Tickets by beneficiaries who are, in actuality, ineligible for TTW.

An easy solution to untimely wage reporting and processing is not evident. A substantial investment and concerted effort will be required on SSA's part to address the current challenges. SSA will need to scrutinize its PE policies and procedures in light of 21<sup>st</sup> century processes and capabilities, and adapt accordingly. The agency must also acknowledge the importance of addressing general PE issues in the context of the larger public policy goal of supporting work outcomes and promoting the self-sufficiency of people with disabilities before significant progress can be made. Earnings-related overpayments are only one symptom of a much larger and more fundamental issue: the Social Security disability programs are not designed to support employment.

## I. INTRODUCTION

### A. *Purpose of the Paper*

Among Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) beneficiaries who return to work, benefit overpayments are common. An overpayment results when a beneficiary is paid SSI and/or SSDI benefits to which he or she is not entitled. Earned income is the most common reason for Social Security overpayments.

The Social Security Administration (SSA) has historically lacked procedures to adequately document beneficiary work activity, and to make adjustments to disability benefit payments in a timely manner. SSA has undertaken a number of recent initiatives to address the issue of overpayments in the SSI program, however, SSA's capabilities for preventing overpayments due to work activity in the SSDI program remain particularly poor.

Under the Ticket to Work (TTW) program, the need to accurately track beneficiary work activity and assess its impacts on benefits in a timely manner has become critical, not only to TTW participants attempting to manage their benefits, but also to the Employment Networks (ENs) providing services to beneficiaries whose payments from SSA are contingent on the work activity and cash benefit status of their TTW clients.

Recognizing the inadequacies of current procedures and the importance of accurate and timely earnings tracking under TTW, SSA has developed new systems, software, and procedures for tracking beneficiary earnings and identifying changes in benefit status. Since 1997, SSA has also been engaged in a number of enforcement activities designed to reduce overpayments in the SSI program.

The purpose of this paper is to describe: the current status of wage reporting, the processing of work activity information; the extent of earnings-related overpayments among disability beneficiaries; and the potential causes for earnings-related overpayments. While there are many reasons why overpayments might occur, the focus here is on how earnings, and the manner in which SSA processes earnings information, affects the risk of overpayments among SSI and SSDI beneficiaries who work.<sup>1</sup> The paper provides a discussion of the implications of overpayments for the Ticket to Work program and beneficiary work effort, and proposes actions SSA might consider undertaking to reduce the incidence of earnings-related overpayments.

### ***Sources of Information***

The paper is based on information collected from several key sources:

- Existing data, reports, and SSA documents describing the wage reporting process, SSA systems, and the extent of and reasons for overpayments;
- Interviews with SSA field and central office staff conducted specifically for this paper; and

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<sup>1</sup> In addition to changes in earnings, SSI overpayments might be caused by changes in: living arrangements, marital status, the number of household members, the income of other household members, assets or resources. For SSDI, overpayments might be caused by changes in impairment related work expenses, subsidy, unincurred business expenses, marital status (for disabled adult children), or because of medical improvement.

- Interviews with staff from SSA field and central offices, TTW employment networks, state vocational rehabilitation agencies, and the TTW Program Manager conducted for purposes of SSA's preliminary process evaluation of the Ticket to Work program.<sup>2</sup>

### **C. Organization**

The paper is organized as follows:

In **Section II**, the significance of timely reporting and processing of earnings information is described. After a brief description of SSA work incentive provisions, the topics of overpayments, TTW, and the implications of overpayments for beneficiary work effort are discussed.

In **Section III**, a description of how SSA processes wage reports is provided. The section begins with a simplified overview of the process, then describes recent and planned changes to the process that affect wage reporting and the risk of overpayments. The section concludes with a discussion of the challenges associated with timely wage reporting and overpayment avoidance faced by SSA, beneficiaries, and ENs.

In **Section IV**, a number of suggestions for improving the timeliness of wage reporting and information processing are proposed.

A summary and concluding remarks are provided in **Section V**.

## **II. THE SIGNIFICANCE OF TIMELY REPORTING AND PROCESSING OF EARNINGS INFORMATION**

Over time, and particularly during the past decade, there has been a significant shift in the way society views people with disabilities. There is now an expectation that people with disabilities can and should be able to participate in all aspects of mainstream society, including employment. The state of "disability" is increasingly viewed as a byproduct of an individual's environment, rather than as a physical, mental, or emotional health condition or limitation. With the appropriate training, supports, and environment, even those with what might be considered very significant physical and/or mental impairments can live independently and be self-sufficient.

The SSDI and SSI programs are two federal programs that are very important to the welfare of people with significant disabilities. The cash benefits provided by these programs, and the associated Medicare and Medicaid health insurance coverage, are significant sources of support for over 8 million working-age adults with significant disabilities. These programs, however, can create work disincentives for beneficiaries because eligibility and/or benefit levels are tied to earnings from work, either directly or indirectly. As disability beneficiaries increase their work effort, benefit levels are reduced and/or lost completely.

The sections below provide a discussion of the significance of timely reporting and processing of earnings information. Timely reporting and processing of earnings information is critical for

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<sup>2</sup> Under a separate contract with SSA, I directed the preliminary Ticket to Work process evaluation. This effort involved an extensive review of information on TTW, as well as interviews with staff from SSA, the Ticket Program Manager, the 13 state vocational rehabilitation agencies, and 27 non-SVRA ENs operating in the first 13 TTW states. The information cited in this paper from these activities is documented in Livermore et al. (2003).

avoiding benefit overpayments, as well as unexpected terminations in cash and health insurance benefits. Timely earnings reporting and processing is also critical for EN payments under TTW. Overpayments, or the risk of experiencing an overpayment situation, might also have consequences for beneficiary work effort. Overpayments, TTW, and the implications of overpayments for beneficiary work effort are discussed, respectively, in *Sections B, C, and D* below. In order to understand the issue of beneficiary work efforts and the implications for overpayments, it is necessary to first understand and appreciate the complexity of the work incentive provisions of the Social Security disability programs. A brief discussion of these provisions is provided in *Section A*. The reader familiar with the disability programs and the complex provisions related to work and earned income is encouraged to skip this material.

### **A. Work Incentive Provisions**

The SSDI and SSI programs have a number of work incentive provisions intended to encourage beneficiaries to work and develop less reliance on public programs by allowing them to remain eligible for their cash and health insurance benefits longer at higher levels of earnings. For the SSDI program, these provisions include the nine month trial work period (TWP), the deduction for impairment-related work expenses (IRWEs), employer subsidy, and extended periods of eligibility for cash benefits and Medicare. For the SSI program, work incentive provisions include: IRWEs, deductions for blind work expenses, plans for achieving self support (PASS), the \$1 for \$2 earned income disregard, extended eligibility for cash benefits and Medicaid through section 1619(a), extended Medicaid eligibility when cash benefits cease because of earnings through section 1619(b), and the student earned income exclusion.<sup>3</sup>

The 1999 Ticket to Work and Work Incentives Improvement Act created a number of new provisions and resources to further encourage and support work attempts by SSDI and SSI disability beneficiaries. These include:

- Extending the original 36-month Medicare Extended Period of Eligibility an additional four and one-half years for most working people with disabilities. Most SSDI beneficiaries will be able to keep their Medicare coverage at least eight and one-half years after they return to work.
- Greater flexibility to states in developing Medicaid Buy-in programs, under which workers with disabilities can purchase Medicaid coverage.
- Benefits Planning, Assistance and Outreach (BPAO) programs in all states, the District of Columbia, and five territories providing SSA disability beneficiaries with information about SSA work incentives and other Federal efforts to remove regulatory and programmatic barriers to employment for persons with disabilities.
- Expedited re-instatement of benefits, where former SSDI/SSI beneficiaries can request a re-instatement of benefits if terminated because of work activity in the past five years.
- The Ticket to Work program, where eligible beneficiaries are given tickets that may be used to obtain employment-related services from participating providers, called Employment Networks (ENs). ENs will be reimbursed based on beneficiary employment outcomes and

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<sup>3</sup> See the Red Book (SSA, 2003a) for further description of the SSDI and SSI work incentive provisions.

are encouraged to provide a wide range of traditional and non-traditional employment supports.

- Waiver of continuing disability reviews (CDRs) during the period a beneficiary is participating in the Ticket to Work program;<sup>4</sup>
- Elimination of work activity as a criteria for selection for a CDR; and
- Demonstrations that will be conducted to test whether specific provisions promote employment among beneficiaries and applicants.<sup>5</sup>

In addition, legislation was passed in 1999 to increase the level of substantial gainful activity (SGA) from \$500 to \$700 of earnings for non-blind individuals. The SGA level is a key factor used in the SSDI and SSI disability determination process. For the first time, the legislation also requires the SGA level to be indexed each year based on changes in national average wages for both non-blind and blind individuals. In 2003, SGA is \$800 for non-blind individuals and \$1330 for blind individuals.

The existing work incentive provisions and recent program changes demonstrate a commitment on behalf of Congress and the federal government programs to support the employment efforts of people with significant disabilities. They also indicate just how complicated the issue of benefit levels and eligibility become when a disability beneficiary pursues employment and experiences changes in earned income. The U.S. General Accounting Office (GAO) continues to remind SSA to balance the changes so that while expanding and supporting work opportunities, the agency needs to identify and implement cost-effective options for simplifying complex policies. In addition, while SSA has taken steps in trying to return beneficiaries to work, it has not developed, as GAO has recommended, a comprehensive return-to-work strategy that focuses on identifying and enhancing beneficiaries' work capacities. (GAO, 2003a).

## **B. SSDI and SSI Overpayments**

A significant consequence of untimely wage reporting and/or untimely benefit adjustment in response to wage reports is a benefit overpayment. An overpayment results when a beneficiary is paid SSI and/or SSDI benefits to which he or she is not entitled, and earned income is the most common reason for Social Security overpayments.

The subsections below provide an overview of the frequency and magnitude of SSI and SSDI overpayments, why overpayments occur, and how overpayments are recovered by SSA. The final subsection provides a discussion of the potential impact of overpayment situations on beneficiary work efforts.

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<sup>4</sup> Medical CDRs are conducted periodically to assess whether a beneficiary is still medically eligible for SSI and/or SSDI.

<sup>5</sup> These include: Centers for Medicare and Medicaid Services (CMS) demonstrations to maintain independence and employment that allow states to provide Medicaid coverage to certain groups *before* their health conditions become severe enough for these individuals to become eligible through spend down or disability; demonstrations to test the impact of reducing SSDI benefits by \$1 for every \$2 of earnings over a specified level instead of the wholesale loss of benefits when earnings exceed SGA; and SSA demonstrations to try to manage disability and prevent the need for coming onto the disability rolls among disability applicants.



## 1. Frequency and Magnitude of Overpayments Among SSI/SSDI Beneficiaries

How frequently do beneficiaries experience overpayment situations? Readily available information to answer the question could not be identified. Some empirical and anecdotal information suggests that overpayments among SSI and SSDI beneficiaries who work are common and costly occurrences.

From 1997 until this year, the SSI program has been designated by GAO as a high-risk program because of over \$1 billion in annual benefit overpayments. Newly detected SSI overpayments were nearly \$2 billion, or 6% of total outlays in 2001 (SSA, 2003b). While these numbers reflect all SSI recipients and all reasons for overpayments, increases in earned income is the most common reason for overpayments in the SSI program. The SSI program has taken steps to reduce the level of overpayments, and as a result, was removed from GAO's high risk list in January 2003.<sup>6</sup>

Little information exists regarding the extent of overpayments in the SSDI program. SSA conducts annual enforcement activities that include merging Internal Revenue Service (IRS) data on earnings with SSA administrative data. SSA officials indicate that, annually, approximately 500,000 alerts related to earnings among SSDI beneficiaries are generated based on these activities. The alerts indicate that the earnings information contained in the IRS data do not match the earnings information contained in SSA administrative data and that further investigation on the part of SSA should be conducted because an overpayment situation is likely. In 2001, there were approximately 6 million SSDI beneficiaries. Alerts, were therefore generated on approximately 8% of the caseload. While alerts are generated for SSA staff, the information is not used in any systematic way to send a reminder or alert to the beneficiary.

The available information on overpayments and the percentage of SSI and SSDI beneficiaries who work suggests that, in a given year, approximately 10% of beneficiaries engage in work activity and therefore, are at risk of experiencing earnings-related benefit overpayments. Annual estimates of beneficiary work activity, however, likely understate the potential risk of overpayments because of several factors:

- Beneficiaries remain on the rolls for long periods of time, so their exposure to the risk of, and potential liability for, overpayments is not limited to annual periods;
- Overpayments frequently accrue and remain unidentified for many months or years, even after a beneficiary has ceased working; and
- Beneficiaries who work sporadically may be more prone to overpayments, but may be less likely to be working at any given point in time.

Essentially, any individual who has ever received disability benefits and worked while receiving those benefits is at risk of experiencing an overpayment. Data pooled from three years of the Survey of Income and Program Participation and matched to SSA administrative data indicate

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<sup>6</sup> Although removing SSI from the high risk list, GAO placed federal disability programs government-wide on its high risk list in 2003. The reasons noted for designating federal disability programs as high risk include outdated economic, workforce, and medical concepts, and poor positioning with respect to providing meaningful and timely support to Americans with disabilities in the face of the aging baby-boomers and potential for rapid program growth (GAO, 2003b).

that, in a given year, about 10% of all disability beneficiaries have engaged in work activity, measured as earnings of \$300 or more per year. About another 5% of beneficiaries are engaged in activities that are preparing them for work, defined as having participated in a training program or been enrolled school during the year. Looking over a longer period, these data indicate that 25% of disability beneficiaries had recent earnings, defined as earnings of \$2400 or more in any calendar year in the previous five years, but only including years since disability benefit award (Stapleton and Livermore, 2002). These data appear to be at odds with the widespread perception that few disability beneficiaries work. For example, a recent GAO report notes "...relatively few disability beneficiaries work and no more than 1 percent leave the DI and SSI beneficiary rolls each year because of their work." (GAO, 2002a, p. 5). While it might be that annual exits due to work are low, 1 in 4 beneficiaries working at some point during a period of five years or less is clearly more than "relatively few."

## **2. Why Overpayments Occur**

Overpayments can occur for a number of reasons. Some common reasons for overpayments in the SSI program are:

- Changes in wages or earnings;
- Changes in living arrangements and the income of household members; and
- Changes in resources.

A recent GAO report (GAO, 2002b), states that recipient non-reporting of key information accounted for around 75% of approximately 1 million payment errors each year. These figures apply to the entire SSI program, and not specifically to working-age adults. These figures may also be somewhat misleading in light of the procedures for estimating income for purposes of computing monthly SSI payments. SSI recipients are required to submit estimates of monthly income for a period of 12 months. In most cases, actual income is then assessed retrospectively (called a redetermination) and under- or overpayments are computed. Unscheduled redeterminations can occur if a significant change in income or living arrangements is reported. By the very nature of the SSI program rules, small to moderate under- and overpayments are common over a 12 month period. Earned income has been the primary cause of SSI overpayments for over a decade (SSA, 2002), accounting for approximately 25% of overpayments detected among all SSI recipients (GAO, 2002b). The percentage is likely much higher among working-age disabled adult recipients.

For the SSDI program, no analogous information about the frequency of overpayments could be identified. Given the eligibility requirements of the program, however, it seems logical to believe that earnings and earnings-related issues (e.g., IRWE, subsidy) would be the primary cause of SSDI overpayments, as the only other reason an SSDI beneficiary would become ineligible for benefits is because of medical improvement. SSDI has not been on GAO's high risk list, and therefore, has not been subject to the same scrutiny and collection of information on overpayments as the SSI program. A recent GAO report on concurrent beneficiaries (those receiving both SSI and SSDI) notes, however, that a one-time analysis of SSA disability overpayments based on data from 2000 described by SSA officials indicated that about 50% of the overpayment dollars were made to people who should not have received benefits because of their earnings. Based on this information, the report also indicates that failure to take timely

action on SSA's part when SSDI beneficiaries work may account for about \$350 million in SSDI overpayments in 2001 (GAO, 2002a).

There are essentially only two reasons why an overpayment situation would occur in either program:

- Information affecting benefits or eligibility is not reported timely; and/or
- Reported information affecting benefits or eligibility is not processed timely.

The first three scenarios below illustrate, according to a BPAO trainer who has viewed hundreds of such cases, very common overpayment scenarios and experiences among disability beneficiaries who go to work.<sup>7</sup> The fourth scenario, while less common, is representative of the overpayment experiences of some members of a specific group of working beneficiaries, those with statutory blindness.<sup>8</sup> The scenarios illustrate the complexity of the SSI and SSDI programs and the difficulties resulting from work efforts that beneficiaries experience with the programs.

### ***Overpayment Scenario 1: The Diligent Wage Reporter***

Jack is an SSDI beneficiary who receives a notice from SSA that he should have been terminated from benefits more than a year ago due to SGA level employment and now owes SSA over \$18,000 in benefit overpayments. Jack is extremely upset about this correspondence and makes an appointment with the local BPAO Benefits Specialist to determine what has happened and if anything can be done about it. The Benefits Specialist researches the case and uncovers the following chain of events:

1. Jack went to work more than five years ago earning more than the TWP amount, but less than the SGA guideline. He reported his earnings via Social Security's 800 number. The person he spoke to indicated that the information would be recorded, but that his earnings were not high enough to affect his benefits.
2. When Jack did not receive any correspondence from the SSA confirming his employment, he became anxious. He visited the local SSA field office with his pay stubs to report his earnings in person. The SSA employee at the front desk told him that he did not need to submit pay stubs at that time. She said that he would be reviewed after his Trial Work Period. In addition, he was told that he was not earning enough money to affect his benefit check. She told him that SSA would contact him for more information when it was needed.
3. Jack continued to work and never received any inquiries from SSA. After about a year, he again called the SSA 800 number. The SSA employee he spoke to said they were aware that he was working and that he was, indeed, entitled to his SSDI check. Jack indicated that he was earning more now than he was previously. The SSA employee said that she would mail a form to Jack to complete giving more information about his work. Jack received the form a week later, completed it, and returned it to SSA.

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<sup>7</sup> The first three overpayment scenarios were provided courtesy of Lucy Miller, a work incentives trainer with the Virginia Commonwealth University Technical Assistance Center for SSA's BPAO project.

<sup>8</sup> Overpayment Scenario #4 was provided courtesy of Jim McCarthy, an attorney and legislative analyst with the National Federation of the Blind.

4. Jack continued to work and now had earnings over the SGA level. He never received any further correspondence from SSA confirming the information he had reported previously. Because he had diligently reported his wages, he assumed that he was entitled to the SSDI payments he continued to receive. Jack continued working at SGA-level employment for several more years until his disability worsened and he needed to resign. This occurred during Jack's EPE.
5. Jack did not work again until after his EPE at which time he began receiving earnings over the SGA level. He again reported his employment via the 800 number, but never received any correspondence from SSA. After nearly a year, Jack went to the local SSA field office with his pay stubs and met with an SSA Claims Representative (CR). She told Jack that he was over the SGA guideline and that his SSDI eligibility probably should have been terminated some time ago. She said that she needed to verify his wages with his employer and would contact him with more information at a later date. She advised Jack not to cash any more SSDI checks, as repayment may be necessary.
6. Jack waited for three months and never heard back from SSA. He returned to the field office and met with another CR. That CR indicated that Jack's employer never responded to SSA's inquiries for wage verification. The CR also stated that a review cannot be conducted until Jack's master file (the paper folder) has been received at the field office from one of SSA's program service centers. Apparently, the file was never requested subsequent to Jack's previous visit to the field office. The CR said that SSA can use pay stubs to verify earnings and asks if Jack has these. Jack states that he already submitted them, but for some reason they are not in Jack's file.
7. Jack finally received a notice of termination two months later. The Benefits Specialist noticed that Jack had incurred potential IRWEs and a subsidy that was never developed. While Jack had incurred a substantial overpayment, the final amount due was only \$3,000 once the appropriate work incentives were applied.<sup>9</sup>

### ***Overpayment Scenario 2: The Confused Concurrent***

Emily is a concurrent beneficiary receiving both SSI and SSDI payments. She took a job earning \$800 per month and reported her earnings to SSA. Within several weeks, Emily received a letter from SSA indicating that her SSI check would cease due to earnings, but that her Medicaid would continue. Emily assumed that, because she had received this letter, her earnings were fully accounted for by SSA. Approximately one year later, Emily received some forms from SSA to complete asking about her wages, living arrangement, bank accounts, as well as other information. Her case manager helped her to complete the forms and she returned them to SSA.

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<sup>9</sup> When an SSDI beneficiary's disability results in the need for extra assistance at work, a reduced production rate, frequent breaks, or fewer job duties than coworkers in a similar job, a subsidy might be computed when determining SGA. The subsidy reflects the fact that the individual's income is not only pay for his/her work product, but also represents either direct help from someone else, or full pay for lower productivity than other employees. In assessing SGA, SSA attempts to assess earnings that can be attributed directly to the individual and the earnings potential if other supports were absent. The subsidy is SSA's adjustment to the value of the gross earnings, which involves deducting the cost attributed to the extra help or special work situation of the individual.

Emily continued to receive her Medicaid card each month, but did not receive any SSI cash payments. Her SSDI payments continued unchanged.

Emily continued working and earning more than \$800 per month, and received no further communication from SSA. Three years later, Emily received a letter from SSA notifying her that she had been overpaid. Her SSDI benefits should have been terminated many months ago due to her employment, and she had been overpaid by more than \$10,000. A week later, Emily received another letter from SSA notifying her that SSA owed her for SSI payments she should have received. Emily became very confused and anxious. She tells her case manager that she is going to quit her job because working caused such a mess.

### ***Overpayment Scenario 3: The SSI Bait and Switch***

Jill is an SSI recipient who achieved paid employment through a supported employment program. She has worked successfully at several different jobs for more than eight years. All during this time, Jill reported her earnings to SSA in a timely fashion and worked closely with SSA to ensure that overpayments or underpayments were kept to a minimum. Recently, Jill received a notice from SSA indicating that she might be eligible for SSDI benefits, which should have begun several years ago, but were overlooked by SSA due to a computer error. The letter states that she must apply for SSDI benefits, or risk losing her SSI eligibility.

Jill and her family are alarmed by the letter and make an appointment to meet with a Benefits Specialist. The Benefits Specialist discovers that Jill should have begun receiving SSDI benefits five years ago. The SSDI benefit would have been high enough to make Jill ineligible for SSI. In addition, Jill worked for more than a year in a job earning over the SGA level after her SSDI eligibility should have been established. SSA determined, retrospectively, that Jill should have lost SSDI eligibility at that time. SSA informs Jill that she owes all of the SSI payments she has received from the point when she would have been SSDI eligible five years ago, onwards. SSA also informs Jill that she is owed SSDI payments from the point at which she was SSDI eligible to the point when her work above SGA would have terminated her SSDI eligibility (i.e., when she completed the TWP). The end result is that Jill suddenly and unexpectedly loses both SSI and SSDI eligibility, as well as her eligibility for Medicaid. Jill and her family are stunned, as they had been diligently adhering to the SSI work incentive provisions when making decisions about Jill's employment. Jill needed to preserve her Medicaid eligibility in order to pay for expensive, disability-related medications she requires. The family does not know what they will do to pay for Jill's medications.

### ***Overpayment Scenario #4: The Blind Leading the Blind***

Bob is an SSDI blind beneficiary. For the past five years he has operated a facility that sells newspapers and snack items in a federal building under the terms of the Randolph-Shepard Act, where he has earned approximately \$25,000 annually in net self-employment income. Each year, Bob has submitted his tax return to SSA indicating his self employment income. Bob received a notice from SSA indicating that his SSDI benefits should have been terminated over four years ago and that he has been overpaid by nearly \$50,000. Bob is shocked. When he first started working, his vocational rehabilitation (VR) counselor had told him that blind individuals can work at higher levels than others, and with his work expenses, he would be able to earn the amounts he was and not lose his SSDI. After recovering from his initial shock, Bob takes the letter to a lawyer, who tells him that the overpayment is likely erroneous because SSA may not

have applied the blind SGA level, and likely has not deducted Bob's unincurred business expenses in calculating SGA. Under the Randolph-Shepard Act, Bob is permitted to operate his facility rent-free in the federal building. The value of the free rent should be deducted as an unincurred business expense when calculating Bob's SGA. The lawyer asks if Bob has requested to have his benefit payments reinstated. Bob says no because he missed the 10-day deadline for requesting payment reinstatement.

The lawyer instructs Bob to speak with the building manager and attempt to obtain a market value for the space that Bob's facility occupies. Bob contacts the building manager but, because the building is owned and fully occupied by the federal government, no rental value could be obtained. Bob's lawyer then instructs him to obtain two or three professional real estate appraisals. Bob obtains two appraisals but must pay the appraisers a fee of \$200 each. The appraisals indicate that the market value of Bob's space is approximately \$1000 per month.

Bob, with the assistance of his lawyer, requests reconsideration, and meets with an SSA CR to review his case to ensure that SSA is applying the blind SGA level and to provide information on the unincurred business expenses. The CR acknowledges that the blind SGA was not applied, but is unfamiliar with the provision related to unincurred business expenses. She says she will consider the information and notify him of the decision. Bob subsequently receives a letter stating that the original overpayment amount is correct. He then files an appeal for a hearing before an administrative law judge (ALJ). With the assistance of his lawyer, and after considerable expense and anxiety, Bob's overpayment decision is overturned by the ALJ one year later, during which time he did not receive any SSDI benefits.

The above four scenarios represent situations where beneficiaries reported their earnings to SSA in a timely manner, but because of a lack of automation in recording wage reports, lack of systematic collection of information pertinent to work incentives, and complex program rules, immense challenges remain in the processes used by SSA to document earnings and adjust benefits, resulting in significant overpayments. In Jack's situation (Scenario 1) the reason for the overpayment is that SSA simply did not process the information reported in a timely manner. In Emily's case (Scenario 2), SSA processed the reported earnings information and made adjustments to her SSI benefits, but neglected to do so for her SSDI benefits until several years later. Similarly, in Jill's situation (Scenario 3), SSA processed the earnings information for her SSI benefits, but as Jill continued to work and achieved sufficient quarters of covered earnings to become eligible for SSDI, no alert was generated in SSA's systems that she was eligible for SSDI. In Bob's case (Scenario 4), SSA did not "know" he was blind, and thus, did not apply the blind SGA, and the staff person processing Bob's information was unfamiliar with a relatively obscure work incentive provision. In addition, both Jack and Bob had no vehicle for submitting information to SSA about IRWEs, subsidy, and unincurred business expenses on an ongoing basis in order to avoid the overpayments in the first place. The reasons for these overpayment situations and the challenges faced by SSA in processing work reports are discussed further in ***Section III***.

Another common scenario is that beneficiaries simply do not report their earnings. This may be intentional, out of fear of losing benefits and under a presumption that the chances and consequences of being caught are small. It may also be unintentional, due to ignorance of reporting requirements and procedures, work incentive provisions, and the effect of earnings on benefits and eligibility. In other words, it might be due to an inability to figure out how and what

to report when and to whom. SSA currently does not mail targeted reminders to this population despite its vulnerability to non-reporting.

### **3. Non-Reporting Penalties and Overpayment Recovery<sup>10</sup>**

#### ***a. Penalties***

Beneficiaries are required, as a condition of their eligibility for benefits, to report changes in earnings or other factors that might affect eligibility. In the SSI program, changes must be reported within 10 calendar days of the end of the month in which the change occurred. If a recipient fails to report an event that affects the SSI benefit, there may be a penalty deduction in later benefit payments as follows:

- \$25 penalty for the first occurrence;
- \$50 penalty for the second occurrence; and
- \$100 for each subsequent failure.

SSA does not typically impose a penalty if the beneficiary is without fault or demonstrates good cause for not reporting an event. According to one source, penalties were only assessed in 3,500 of approximately 750,000 cases of SSI recipient non-reporting that resulted in overpayment (GAO, 2002b).

SSDI beneficiaries are also required to report a set of specific changes related to earnings and income. With respect to earnings, SSDI beneficiaries are required to report:

- Changes in work status, such as: work beginning; work stopping; and work activity increases; and
- Changes in disability-related work expenses.

Information regarding penalties that SSA might assess for failure to report such changes under the SSDI program could not be identified.

Under both programs, more serious fines or imprisonment may be imposed for deliberate attempts to defraud. Such actions include, but are not limited to: making false statements or misrepresentations in applying for benefits; making false statements or misrepresentations of material facts at any time if for use in determining benefit rights; and concealing, or failing to reveal, information about events affecting initial or continued right to benefits or the amount of payment.

#### ***b. Overpayment Recovery***

If SSA finds that a beneficiary has been overpaid, the beneficiary will be sent a Notice of Overpayment. The Notice of Overpayment will note the amount of the overpayment and indicate that the beneficiary must return the overpaid amount within 30 days.

If the beneficiary believes the overpayment determination to be incorrect, either because the amount is incorrect or because the reason given by SSA for the overpayment is incorrect, the beneficiary may request reconsideration. The beneficiary must request reconsideration in writing

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<sup>10</sup> Information in this section is derived from Pine Tree Legal Assistance (1996); POMS GN 022; and SSA (2001a).

and submit the request to the local SSA field office within 60 days of receiving the Notice of Overpayment. The beneficiary also has 10 days to file a request for payment reinstatement while the decision is being appealed.

For reconsideration of the decision, the beneficiary may request: a case review, where an SSA CR will review the paper file and make a decision based on the review; an informal conference, where the beneficiary can meet with a CR to review the case and provide additional information; or a formal conference, where the beneficiary brings witnesses to help present his or her case to the CR. At the same time as requesting reconsideration of the decision, a beneficiary might request a personal conference to discuss a waiver of the overpayment, if one is ultimately determined (described further below).

After reconsideration, if SSA's decision is that the beneficiary was overpaid, the beneficiary can appeal the decision. The appeals process is similar to the process for initial disability determination denials. The beneficiary has 60 days to file an appeal for a hearing before an ALJ. If the ALJ decision is unfavorable, the beneficiary may appeal to the SSA Appeals Council. If the decision is still unfavorable, the beneficiary's last resort is to take the case to the courts. These last three steps generally involve the assistance of an attorney or legal advisor. During the appeals process, SSA may begin to recover the overpayment. If the beneficiary wins the appeal, SSA is required to return the amounts recovered.

If the beneficiary believes SSA to be correct in the amount of the overpayment, or is denied appeals of an overpayment, he or she may request a waiver. A waiver may be granted if the beneficiary is not at fault for the overpayment and cannot afford to repay the amount. SSA will automatically grant waivers for small overpayments if all of the following conditions are met:

- the amount is less than \$500 (available one time in each period of entitlement);
- the beneficiary did not cause the overpayment by making a false statement to SSA; and
- the beneficiary submits a request for the waiver.

To request the waiver, the beneficiary must complete an Overpayment Recovery Questionnaire. This form contains questions about whether the beneficiary reported the change(s) that led to the overpayment, and whether he or she knew that reporting the change was required. It also asks questions about the beneficiary's income. The information is used to determine whether or not the overpayment was the fault of the beneficiary and whether or not the beneficiary can afford to repay the amount. Reasons that might indicate that the overpayment was not the fault of the beneficiary include instances where the beneficiary:

- has difficulty reading and did not know what was supposed to be reported to SSA;
- has difficulty remembering or understanding directions;
- believed he or she reported every change that might have caused an overpayment, and has a written acknowledgement of making the report in a timely fashion;
- was not informed of the reporting requirement; or
- applied for SSI and/or SSDI a long time in the past and did not remember the reporting rules.

For beneficiaries not receiving SSI, all income and expenses must be listed on the form to determine ability to repay. If the beneficiary is an SSI recipient, it is assumed that he or she



cannot afford to repay the overpayment. The beneficiary need only indicate that he or she is receiving SSI in the section requesting financial information.

As noted above, beneficiaries may request a Personal Conference, where they meet with an SSA representative in person to discuss the reasons for the overpayment and to request a waiver.

If SSA does not grant a waiver, the beneficiary can request reconsideration in writing within 60 days. The reconsideration and appeals process for a waiver is the same as that described above for the overpayment determination.

Beneficiaries ultimately required to repay an amount may request a payment arrangement, under which SSA permits them to repay the amounts they owe in small increments each month. If a payment arrangement is not requested by the beneficiary, SSA may automatically take the whole SSDI benefit, and/or 10% of the SSI benefit. SSA attempts to recover overpayments within three years, but SSA cannot withhold more than 10% of an SSI benefit, even if it takes more than three years to recover the overpayment. SSA is also permitted to recover overpayment amounts from future federal tax refunds and Social Security retirement benefits that the beneficiary might receive. In cases where the overpayments were made to a representative payee, the representative payee is liable for the repayment. SSA is permitted to use the same means to recover overpayments from representative payees as from beneficiaries themselves.

According to one source, approximately 60% of SSI overpayments identified will eventually be recovered (SSA, 2000). In recent years, much greater emphasis has been placed on overpayment recovery. GAO has criticized SSA for being too liberal in its waiver policies and for not pursuing overpayment recovery aggressively enough (GAO, 2002b). The Foster Care Improvement Act of 1999 included provisions that allow SSA greater flexibility in pursuing overpayments. In particular, it authorized the use of cross-program benefit recovery; that is, Title II SSDI or retirement benefits can be withheld to recover past SSI overpayments.

#### **4. Implications for Beneficiary Work Effort and Well-Being**

Overpayments, or the risk of experiencing an overpayment, might affect a beneficiary's decision to go to work, or the decision to continue working. When deciding whether or not to work, a beneficiary is weighing the known costs and benefits. If the financial and psycho-social gains from work do not exceed what must be given up (e.g., cash and in-kind benefits, work-related expenses, time doing other activities, physical or mental well-being), then it is unlikely that he or she will work.

The perceived threat of an overpayment situation creates additional costs to working. There are time and monetary costs associated with:

- developing an adequate understanding of the SSI and SSDI programs and the actions that must be undertaken to avoid overpayment situations;
- reporting the appropriate earnings information to SSA and carefully monitoring benefits to ensure that the information is processed correctly; and
- addressing an overpayment, if actually experienced (e.g., the filing of forms in a timely manner, interactions with SSA, retaining legal or other assistance).

Perhaps a more significant work disincentive than the time and monetary costs noted above may be the risk of facing the financial and psychological effects of a large, and unexpected debt to the

federal government at some time in the future, and the consequences of a sudden and unexpected termination of cash or health insurance benefits.

Information obtained via focus groups conducted with workers with significant disabilities for a recent study on the employment of people with disabilities, sponsored by the U.S. Department of Health and Human Services, illustrates some of the costs borne by beneficiaries who experience overpayments. The following is an excerpt from one of the study's reports, based on the focus group findings:<sup>11</sup>

Participants across focus groups related numerous stories about SSI overpayments, including difficulty in identifying and resolving them. In some cases, participants were aware that they were receiving overpayments (due to eligibility or earnings), but they were unsuccessful in resolving the issue quickly, or at all, until the Social Security Administration eventually and independently identified the overpayment, and requested the money be returned:

- *“I went down there with a case manager and we reported everything. And they said, ‘Okay, everything's fine.’ It's, like, you should be getting that money. And then some time goes by. I don't think anything about it and...like a year or something goes by, and another case manager says, ‘Wait a minute. You're being overpaid. You're going to have to pay all that money back.’ And so I start to go, ‘Oh my God, it's going to be thousands of dollars.’ And so we went down to SSI and they said, ‘Well, there's nothing we can do about it. You have to just put that money all in an account and just save it.’... But we came to the conclusion [that] if I had saved all that money, then they would have taken my medical benefits away from me because I'd have too much money that I'm saving... They do it to everybody. And it doesn't help you get on your feet. It doesn't help you keep a job. I've worked very hard to get where I am, and I really don't think it's fair that I have a \$7,000 debt that I have to pay back.”*
- *“I reported everything correctly and I get the response back, ‘Everything is fine. Don't worry about it. We'll inform you.’ And then at some point, I got a letter saying, ‘Okay, well, you make too much money so the money benefit is now over. Sign this that you acknowledge and agree.’ I did, I sent it back in. And at the same time, they send me another check... Must be my last one, that's fine. Then I get another check. And for about eight months, they send me a check... I informed them, ‘By the way, did you know you're still sending me money?’ I don't hear anything back, but I get another check. I need the money, and obviously you either don't care or you've missed something. So I don't contact them. Then, over a year later, they contact me saying, ‘Oh, by the way, we've overpaid you. Now you owe us money.’”*

Most recipients of SSI overpayments [in the focus groups] were eventually acquiescent regarding reimbursement:

- *“If they make an overpayment...well it's your mistake.”*
- *“I owed them about \$3,700 by the time it was all over.”*
- *“I'm paying \$10 a month for the next 19 years to pay back \$2,300. They're taking it out of my Social Security.”*

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<sup>11</sup> The Lewin Group (2001a), pp. 35-36.

- *“It’s because I was working and [I was] on SSI. On my first check when I was on SSI, I was working and they sent me my retroactive and I was working all that time so I have to pay it back.”*

However, at least one participant found that by continually challenging the request for reimbursement the debt was eventually forgiven, a process that he likens to his initial application for benefits:

- *“SSI has [a] form... You just call them on the phone or look them in the face and say, ‘I cannot pay. What can we do?’... And they will eventually hand you that form. [Then] it takes months and months and months of resubmitting this same form over and over and over... It’s just like applying--this is the funny part--it’s just like applying for SSI in the beginning. You get the three denials, and then finally with enough people behind you, they’ll finally accept it. [You tell them,] ‘I have no money. I’m incapable of paying this money back.’ Denied. Start again. Denied. Start again. Denied. Start again. ‘Oh, okay, here you go.’ It’s the same exact process.”*

For the risk of experiencing an overpayment to create a disincentive to work, beneficiaries must be aware of the costs and consequences of overpayment situations, and must believe that there is a nontrivial risk of experiencing those costs and consequences if they choose to work. While numerous surveys and focus groups with beneficiaries provide anecdotal evidence that beneficiaries fear losing cash and health insurance benefits if they attempt to work,<sup>12</sup> little information regarding whether beneficiaries view the threat, or actual experience, of an overpayment as a deterrent to work could be identified. According to a staff member of an agency that provides legal services to beneficiaries who recently testified before the Work Incentives Advisory Panel, it is common for working beneficiaries to discontinue their work effort after receipt of an overpayment notice (Cebula, 2003).

Economic theory would posit that the risk of overpayment and SSA’s inability to process work issues in a timely manner could create an *incentive* to work for some beneficiaries. Overpayments are essentially interest-free loans from the government that, typically, have rather easy repayment terms. Savvy beneficiaries anticipating overpayments and knowing that they will not be discovered for some time might be induced to work and use the overpayment funds for some purpose that increases their overall well-being, but with the knowledge and expectation that they will be required to repay it someday. This is entirely theoretical speculation, and no information, anecdotal or otherwise, could be identified to support or refute such an hypothesis.

### **C. The Ticket to Work Program**

Under TTW, participating employment service providers, called Employment Networks (ENs), assist eligible SSI and SSDI beneficiaries to go to work, and receive payments if the beneficiary achieves specific earnings targets.<sup>13</sup> In order to receive payment from SSA, the EN must submit evidence of the Ticket holder’s monthly earnings. Such evidence generally takes the form of

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<sup>12</sup> See Livermore et al. (2000) for a discussion of the impact of income and in-kind support programs on the employment of people with disabilities and a review of studies on the issue. See Hill et al. (forthcoming) for a more recent review of studies of the effects of health insurance on the employment of people with disabilities.

<sup>13</sup> ENs can receive two types of payments: milestone payments and outcome payments. Milestone payments are based on the beneficiary attaining monthly earnings at or above the non-blind SGA level. Outcome payments are based on the beneficiary attaining monthly earnings sufficient to reduce the SSI or SSDI cash benefit to zero.

employer pay stubs (originals or copies), which are submitted by the EN to MAXIMUS, acting as the Ticket Program Manager. The Ticket Program Manager certifies the earnings information and enters it into SSA's administrative system. SSA is then responsible for verifying the earnings information, making the appropriate adjustment to benefits, and determining if payment to the EN is warranted.

TTW adds a new stakeholder to the process of reporting earnings and ensuring timely benefit adjustments – the EN. Because EN payments are entirely dependent on EN reporting of appropriate earnings information and on the Ticket Program Manager and SSA processing that information, ENs have a strong incentive to ensure that earnings are reported timely and that benefits are adjusted appropriately for the Ticket holders that they serve. The ability of ENs to generate revenue from TTW and to recover costs associated with serving Ticket holders depends upon it.

Timely reporting and processing of earnings information is also important under TTW given the Ticket eligibility criteria. One of the requirements for eligibility to receive a Ticket is that the beneficiary must be in cash benefit status. If SSA has not conducted work CDRs or redeterminations in a timely manner, it is possible that it will issue Tickets to beneficiaries who are already working and are, in actuality, ineligible for TTW. SSA's policy regarding Ticket assignments made by beneficiaries found, retroactively, to be ineligible for TTW because of past work could not be confirmed in time for the final draft of this paper. Only two undesirable scenarios appear possible, however: either SSA invalidates the Ticket assignment, or SSA honors it. If SSA invalidates the Ticket assignment retroactively, then the EN working with the beneficiary will not be eligible for payments and will have borne the cost of providing services up to the point where the Ticket assignment was determined invalid. A policy such as this would place even greater risk on ENs than the TTW outcome-based reimbursement system already imposes. If SSA honors the Ticket assignment in such cases, then SSA will be paying ENs for beneficiaries ineligible to assign Tickets, thereby undermining the cost-effectiveness of the program.<sup>14</sup>

#### **D. Summary**

The timely reporting and processing of earnings information is essential for a number of reasons:

- From SSA's perspective, timely reporting and processing of earnings will reduce the likelihood of overpayments, which are costly and create an additional administrative burden on the program. It will also reduce the likelihood that ineligible beneficiaries receive and assign Tickets.
- Overpayments are costly and burdensome to beneficiaries, as are sudden and unexpected terminations of eligibility for cash or health insurance benefits that may result from the untimely processing of earnings information. These types of "shocks," which are associated with increased earnings, might create substantial work disincentives for beneficiaries aware of the risks. Those unaware of the potential risk and consequences may not be making

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<sup>14</sup> According to one interviewee, SSA has made outcome payments to ENs in cases where the Ticket was assigned, and a subsequent action was taken to retroactively terminate benefits because of work or earnings as of a date preceding the date of Ticket assignment. This suggests that SSA's current policy is to honor the Ticket assignment regardless of retroactive work-related eligibility changes.

optimal decisions regarding their work effort. Timely feedback regarding the effect of earnings on benefits and eligibility is necessary for beneficiaries to be able to make rational and informed decisions.

- From the EN perspective, timely reporting and processing of earnings information is necessary to obtain compensation for successfully serving clients under TTW.

### III. SSA PROCESSING OF WAGE INFORMATION

The sections below describe the status of wage reporting and processing. A simplified overview of the process is first provided in *Section A*. Recent and planned changes to SSA's processes that affect wage reporting and the risk of overpayments are presented in *Section B*. *Section C* provides a discussion of the many challenges associated with timely wage reporting and overpayment avoidance faced by SSA, beneficiaries, and ENs.

#### A. Overview of the Process

When SSA receives information on beneficiary earnings, there are a number of steps and procedures that must be undertaken to verify the earnings and make any necessary changes to benefit levels or eligibility status. These steps include the following:

**Reporting earnings.** Beneficiaries, their representatives, or other third parties can make work reports by various means: by phone to an SSA teleservice center, field office, or program service center; by mail to a field office or program service center; or in-person at a field office. The initial earnings report may also come by way of the Ticket Program Manager, from an EN submitting earnings evidence for purposes of payment. SSA also undertakes periodic enforcement activities to identify cases where earnings have not been reported to SSA. Annually, SSA data are matched to IRS earnings data to identify potential earnings issues. Cases meeting certain criteria are flagged and an alert is generated for one of SSA's seven program service centers to further investigate and develop the case. The program service centers frequently pass the case onto the beneficiary's local field office for further development. SSA also conducts similar enforcement activities for the SSI program on a quarterly basis. Quarterly earnings information from the U.S. Department of Health and Human Services, Office of Child Support Enforcement (OCSE) is matched to SSA data on SSI recipients.<sup>15</sup> Cases with earnings are flagged for further investigation and development. SSA field office staff in 29 states also have on-line access to the quarterly earnings data, which may be used in the SSI redetermination process. Currently, the quarterly OCSE data can only be used for the SSI program. SSA is working on an agreement with OCSE to be able to use the data for the SSDI program as well.

**Gathering, certifying, evaluating and posting the evidence.** When a report of earnings is received, SSA must gather the appropriate evidence to support the earnings allegation. A document presented as evidence of earnings must be assessed to determine if it is an original,

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<sup>15</sup> OCSE has developed a national database, the National Directory of New Hires, under the authority of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 for the purpose of helping states enforce child support orders. As of October 1997, states have been required to submit the following to OCSE: quarterly wages from employer quarterly wage reports; information on new hires from W4 forms; and unemployment insurance information. While the main purpose of the file is child support enforcement, it is being used by SSA to enforce SSI income reporting requirements.

legible, unaltered, and clearly identifies the beneficiary. If so, the document is photocopied and certified by the SSA employee. Original statements from employers or beneficiaries might also be submitted as evidence. The SSA teleservice center, program service center, or field office staff receiving the earnings report may mail out other forms for the beneficiary to complete in order to collect the necessary information to process the earnings report. The SSA staff member must also complete the necessary forms and system inputs to establish a control for the PE development.

The SSA employee will evaluate the evidence to determine whether it is sufficient to meet SSA's standards for primary or secondary evidence. Primary evidence is evidence that stands alone in establishing earnings, and the source of the information is the employer. Primary evidence, in order of highest-to-lowest probative value, includes: pay stubs (or similar document) given to an employee as evidence of earnings; employer-prepared wage statements; and oral statements of the employer given to and documented by an SSA employee on the appropriate SSA form. Secondary evidence is evidence with a lesser probative value and the source of which is other than the employer. Examples of secondary evidence, in order of highest-to-lowest value, include: records from third-party sources (state unemployment insurance, unions); federal or state tax returns; employee business records; and beneficiary statements of earnings.

If the evidence submitted is not primary, the SSA employee must attempt to develop it to primary evidence. In addition, the SSA employee must ensure that the necessary information is contained in the evidence, including: employee name; SSN; total earnings; period covered by the earnings; pay date; and employer name, address or ID information. If primary evidence is not available, the SSA employee must develop acceptable secondary evidence. Further development of the evidence might include requests for information, via mail or phone, to the employer and/or beneficiary. The certified primary or secondary evidence is posted in SSA's administrative system. The information must be keyed into a series of evidence screens.

**Verifying countable earnings and making SGA determinations.** After the earnings evidence is collected, it must be evaluated to determine if there are any eligibility issues generated by the evidence. Such issues might include the triggering of a TWP month, work or earnings above the SGA level, or changes to SSI benefits. To make such determinations, the countable earnings must first be verified. This means that any IRWEs, BWEs, and wage subsidies must be taken into account. After countable earnings are verified, the SSA employee can develop the case for TWP, SGA, and continued eligibility for and level of benefits. In the SSDI program, the development process is referred to as a work CDR. To make the final determinations, the SSA employee must have the paper folder on the case. These are typically stored at the program service centers, so if the case is being developed by field office personnel, the folder must be requested and sent. According to a recent GAO report, employees in several field offices indicated that they often do not receive the folders back from the program service centers in a timely manner. Estimates of the time it took the program service center to return these cases ranged from 1 to 10 years (GAO, 2002a).

Because of the work incentive provisions and eligibility requirements of the SSI program, there is not the equivalent of a work CDR. Monthly SSI benefits are dependent on monthly income. When monthly earnings (or other income, resources, or living arrangements) change, monthly SSI benefits must be adjusted. SSI cases undergo scheduled and/or unscheduled redeterminations of financial eligibility. At the beginning of a claim, or after a periodic post-eligibility review, SSI recipients must estimate how much they will be paid each month for the next 14 months. SSI

recipients experiencing changes in income must report those changes to SSA by the 10<sup>th</sup> day of the month following the change. Benefits are generally not immediately adjusted, however, in response to the reported information. Eventually, SSA will initiate a redetermination of financial eligibility and will request proof to verify that the estimate was accurate, collecting pay stubs or other documentation from the beneficiary.<sup>16</sup> The length of time before such a scheduled request is made depends on the beneficiary's profile with respect to reported changes, data matches indicating changes in income, and SSA's assessment of the likelihood of a payment error.<sup>17</sup> Unscheduled redeterminations might also occur in response to a reported change which affects eligibility or benefit amounts.

**Adjusting benefits/eligibility information on the administrative record.** After the SSA employee has completed the process of assessing the impact of the reported earnings on benefits and eligibility, the outcomes of the work CDR and/or redetermination are posted to the administrative record, and notifications of any changes to benefits or eligibility status are generated and mailed to the beneficiary.

The above description grossly oversimplifies the actual process. There are numerous administrative actions (e.g., forms sent, information follow-up, diaries established to generate "tickles" for future actions) that must be undertaken to fully process earnings reports and make benefit adjustments. Some reports must be recorded on paper for storage in the paper folder, while others are recorded electronically. In general, reports for the SSI record are electronically stored, while most SSDI reports must be processed on paper.

## **B. Recent and Planned Changes Affecting Wage Reporting and Overpayments**

### **1. Ticket to Work and Related Efforts**

The Ticket to Work program has generated a number of changes that will enhance and/or expedite the processing of earnings information, and likely reduce the chances of overpayments.

#### **a. The Integrated Disability Management System**

SSA needed to develop a number of enhancements to its administrative systems in order to accommodate TTW and the administration of the disability programs, in general. The plan is referred to as the Integrated Disability Management System (IDMS), the development of which will occur in phases. In the first release of the new system, the CDR Control File served as the foundation. This file, however, only contained information on Ticket-eligible beneficiaries. In the second systems release, which occurred in late November 2002, the Disability Control File (DCF) became the foundation. The DCF covers *all* SSDI and SSI disability beneficiaries, and contains information about Ticket eligibility and use status as well as a variety of other data from SSA administrative records needed to administer TTW.

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<sup>16</sup> Scheduled redeterminations are supposed to occur every 12 to 14 months.

<sup>17</sup> According to one source (SSA, 2001b), if wages are not verified by the end of 14 months, the estimated wage of the 14<sup>th</sup> month remains in effect until a new estimate is obtained. Usually, SSA will not attempt to assess earnings and other factors for purposes of payment determination any further than two years and two months in the past.

Collecting and accurately documenting earnings information is critical to the administration of TTW due to the nature of the EN payment system. In the past, SSA systems have not facilitated this activity, and historically there has been a lack of resources devoted to disability work issue cases (discussed further below). The DCF will facilitate the processing of earnings information because it will maintain earnings information for both the SSI and SSDI programs in a single location. In the long-term, the plan is for the DCF to further automate the work CDR process, and allow only one work CDR to be operative at a time on a case, thereby eliminating simultaneous development activities that might occur by program service center and field office staff.

While the DCF represents progress, in its current release, there are some limitations:

- It is relatively “low tech.” Earnings information must be entered in a screen-by-screen format without data synchronization. In other words, the same data (e.g., standard information from multiple, nearly identical pay stubs for a beneficiary) must be re-keyed over and over.
- The DCF is not currently integrated for general workload processing. The focus in the current release is to enhance EN payment processes. It does not contain an electronic file for wage reporting that can easily be used for purposes of work CDRs or SSI redeterminations.
- The DCF is not yet linked to the Modernized Return to Work (MRTW) software. MRTW, which is described further below, is a new software program that automates and simplifies the development of work CDRs.

The priorities for the first two releases of the IDMS were to establish the most critical and basic functionality for SSA and the Ticket Program Manager to be able to administer TTW. It is anticipated that the capabilities of IDMS will continue to be developed and enhanced over time. In the short-term, however, the DCF appears to be causing difficulties for field staff. According to the recent testimony of an American Federation of Government Employees (AFGE) official before the Ticket to Work and Work Incentive Advisory Panel (Fehner, 2003) the DCF, as implemented, is very cumbersome and hampering the processing of PE workloads. She notes that, in addition to the complexities and significant effort needed to process cases that existed prior to the DCF, the DCF can add up to 150 additional screens that employees must now navigate to complete the process. These screens are in addition to the MRTW and the PC-CDR (another software program used to process work CDRs), because the DCF is not currently integrated with these other programs. According to this AFGE official, employees across the country have complained about the complexity and time added to the process by the DCF.

***b. Ticket Program Manager***

MAXIMUS, Inc. was contracted by SSA to act as the Ticket Program Manager for a period of five years beginning in late September 2000. One of the functions of the Ticket Program Manager is to certify the earnings documentation submitted by ENs for purposes of EN payments. This activity is typically conducted by SSA field office staff, but SSA’s General Council agreed that the Ticket Program Manager could act as an agent of SSA and certify earnings to facilitate EN payments. Allowing the Ticket Program Manager, a contractor, to conduct this function represents a significant departure from past SSA practice.

The Ticket Program Manager collects and evaluates the earnings information submitted by ENs in the same manner that SSA staff evaluate and certify earnings documentation. The Ticket Program Manager attempts to develop the evidence submitted by ENs to primary. After



certification of the evidence, the Ticket Program Manager posts the information to SSA systems. SSA staff must then verify the earnings and make any necessary benefit adjustments. If cash benefits are zero based on the verified earnings, a code is passed to the Ticket Program Manager indicating this, and the Ticket Program Manager is authorized to process outcome payments to ENs.<sup>18</sup>

The reporting of earnings by ENs to the Ticket Program Manager, and the subsequent processing of the earnings information that must be done in order for EN payment to be authorized, should significantly reduce the likelihood of overpayments among the relatively small number of working beneficiaries who are using their Tickets.

*c. Resources for Working Beneficiaries*

**Benefit Specialists.** Section 121 of the Ticket to Work and Work Incentives Improvement Act authorized the creation and funding of Benefits Planning, Assistance and Outreach (BPAO) programs. The purpose of the BPAO initiative is to provide SSA disability beneficiaries with *accurate* and *timely* information about SSA work incentives and other federal efforts to remove regulatory and programmatic barriers to employment for persons with disabilities. Trained benefits specialists in local BPAO programs work with individual beneficiaries to explain the myriad of regulations, provisions, work incentives and special programs that complicate an individual's decision to enter or reenter the workforce. Where available, BPAOs request a Benefits Planning Query from SSA (described further below) to help explain the number of TWP months available and the effect of work on cash and health insurance benefits and the effect on others in the family unit. BPAO benefit specialists are not SSA employees, and are intended only to provide information and counseling on work incentives and benefit issues. They do not advocate on behalf of beneficiaries. BPAOs support beneficiaries who choose to enter employment by assisting them in complying with all relevant regulations and reporting procedures in an effort to avoid overpayments and unexpected terminations in eligibility for cash and health insurance benefits.

Benefit specialists receive two weeks of intensive training on work incentive issues. The training is provided by one of three BPAO Technical Assistance (TA) centers funded by SSA.<sup>19</sup> After the initial training, benefit specialists receive ongoing TA and support through these centers. There are 116 BPAO programs now providing services to SSA beneficiaries in all 50 states, the District of Columbia, and five territories. Collectively, the 116 BPAO projects employ over 400 benefit specialists, and have served over 30,000 beneficiaries since implementation in early 2001. The BPAO projects represent a new and significant resource available to beneficiaries for information and guidance on work and disability benefit issues.

**Employment Support Representatives.** Section 121 of the Ticket to Work and Work Incentives Improvement Act (now Section 1149 of The Social Security Act) also mandated that SSA "...establish a corps of trained, accessible and responsive work incentives specialists..." to assist beneficiaries with disabilities who want to start or continue working. In response to this

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<sup>18</sup> Milestone payments are evaluated and authorized by SSA.

<sup>19</sup> The three organizations awarded contracts by SSA to conduct program training and provide TA to BPAOs are Virginia Commonwealth University, Cornell University, and the University of Missouri.

mandate, SSA piloted a new, temporary position, the Employment Support Representative (ESR), with 32 ESRs serving 54 sites nationally.

The ESR pilot was conducted from July 2000 until September 2001. ESRs were selected from among GS 11 claims representatives, underwent six weeks of intensive training on SSA work incentive provisions and related issues, and received a promotion to the temporary GS 12 ESR position. In addition to the role of providing beneficiaries information about work incentive provisions, the 32 ESRs were tasked with conducting outreach and providing information to the general disability community. The ESR pilot ended in September 2001 and was considered a success (SSA, 2001c).

SSA is considering how to best provide information and services related to SSA's employment support programs to beneficiaries with disabilities who want to work, nationally. One plan that SSA is considering includes, among other things, improving SSA field personnel knowledge about SSA's employment support programs through training, designating specific GS-12 SSA field personnel, using existing work incentive liaisons located in field offices to provide the work incentives information, program expertise, and case processing knowledge needed in the local field offices, and using existing public affairs specialists to fulfill the outreach role previously filled by ESRs. Of the 32 original ESRs, 21 are still functioning in that capacity, although the specific role of an ESR varies depending on the needs of the office in which the ESR is located. Currently, when an individual vacates the ESR position for one reason or another, the position expires.

**d. *Modernized Return to Work Software***

Recently, SSA has developed the Modernized Return to Work (MRTW) software to collect and process information about SSDI beneficiary work and earnings. MRTW was developed by staff at SSA's Chicago Regional Office, in collaboration with Minnesota and Wisconsin-based SSA staff, as a means to improve development, control, and accuracy and to reduce the burden and complexity of work CDRs. The software automates the generation of forms verifying monthly earnings mailed to beneficiaries and employers. The software totals earnings if a beneficiary has multiple employers, computes gross earnings, and applies SGA adjustments and special conditions to derive total countable earnings per month and year. This amount is then sent to other software, the Personal Computer-Continuing Disability Review (PC-CDR) that calculates TWP, SGA, EPE months, and generates notices for field personnel.

MRTW is expected to greatly improve the process for developing and documenting beneficiary work issues and will provide a place to store monthly earnings information, which can be transferred to other administrative files. According to one ESR who has been using MRTW, the software significantly reduces the time it takes for field office staff to do a work CDR (by up to 2 hours per case). MRTW can also provide a means to measure the workload related to documenting work issues to appropriately measure work credits. The primary drawback of MRTW is that it was developed for use only on SSDI claims. The reason for this is that the SSI earnings documentation is based on a definition of wages when paid and the wage verification process was already mostly automated, whereas, the process for SSDI cases is based on a definition of wages when earned and the recording process is almost entirely manual.

The Benefits Planning Query function of MRTW allows easy access to information about work, earnings, and benefit status. The query pulls the necessary information from the Master

Beneficiary Record and, in the future, from the DCF. While some of the work incentive-related information on the Master Beneficiary Record is often incomplete and outdated (due to delays in work CDR processing and other challenges described in the next section), it is still better than no information at all. It is expected that the DCF will be more up to date. BPAO staff, ENs, and others familiar with the Benefits Planning Query have begun requesting and making use of the Benefits Planning Query information in assisting their clients with benefits planning and TTW issues.

The MRTW was piloted among the 32 ESRs in October 2001, and was made available for optional use by all field offices in August 2002. Currently, it is only being utilized in a very limited fashion. Widespread use of MRTW has likely been hampered by the fact that field staff are now told that they must enter earnings information into the DCF. Because MRTW and the DCF are not integrated, field staff would need to enter all of the earnings information twice. Currently, use of the DCF is mandatory while use of MRTW is optional.

## **2. SSI Redeterminations and the Special Disability Workload**

Since designation as a high-risk program by GAO in 1997, the SSI program has undertaken a number of initiatives to address the problem of overpayments. One such effort has been to increase the number of SSI redeterminations processed and to improve the profiles that are used to select cases for review (SSA, 2003b). In 2001, SSA conducted approximately 360,000 (or about 14%) more redeterminations than it conducted in 1998 (SSA, 2003b). According to another source, SSA has also begun requiring field offices to complete 99% of assigned SSI redetermination reviews and cases where computer matching identifies a potential overpayment due to unreported wages and other factors (GAO, 2002c).

In 2002, SSA began a concerted effort to process what is referred to as the Special Title II Disability Workload. The Special Disability Workload is comprised of over 500,000 SSI-only recipients who, at some point, became eligible for SSDI. The SSI administrative systems, however, failed to identify these situations and generate appropriate alerts for case processing. According to one source, SSA has been aware of this situation for over seven years, but has been either unwilling or unable to address it until recently (AFGE, 2002). SSA is now focusing resources on the processing of this workload.

## **3. Access to Electronic Earnings Data**

During the past several years, SSA has increased its access to electronic data on earnings (as well as other financial information), and increased its use of the electronic data for purposes of detecting and addressing overpayments. Examples of these activities include the following (GAO, 2003a):

- Developing and implementing software that scans internal and external databases for financial/employment information to detect potential changes, then generates alerts for further investigation;
- Establishing direct field office access to OCSE earnings data and state administrative records in 42 states; and
- Increasing the frequency of matching SSI reported earnings information to the Master Earnings Record information from annually to semi-annually, to flag unreported earnings.

As noted previously, SSA can only use the OCSE earnings data for purposes of SSI program enforcement, but is in the process of negotiating use of these data for purposes of SSDI program enforcement. According to an SSA official, the agency has submitted a scope agreement to OCSE and expects to gain the ability to conduct quarterly batch data matches in about one year. This official also notes that 29 states have already granted SSA various levels of on-line access to quarterly state earnings records. Use of these data, however, are at the option of the SSA field offices in those states.

Finally, a number of sources (GAO, 2003a; SSA, 2002; SSA, 2003) describe an SSA effort to pilot test telephone touchtone technology as a means to improve wage and income reporting in the SSI program. The SSI Automated Wage Reporting Pilot will be conducted from May 2003 through October 2003. Beginning in May, a limited number of SSI recipients and deemors will be able to report wages by using a special toll-free telephone number. Potential pilot participants will be selected from a group of SSI recipients being canvassed nationwide. Beginning in late March and early April 2003, potential pilot participants will receive a contact letter from their local field offices. The letter advises the recipient that he/she has been chosen to help SSA test a new program for people who work and receive SSI. It directs individuals who would like to participate in the test to call the local field office. The local field office telephone number will be provided in the letter. Field offices will provide the pilot participants with more details about the pilot either by mail or during an in-office visit. A total of 326 field offices and approximately 4,000 recipients/deemors will be selected to participate in the pilot.

All individuals selected will need a pin and password to participate in the pilot. SSI pilot participants will be able to use password services beginning in early April 2003. Once callers have created a password, they will be ready to report their monthly gross wages, in dollars and cents, before deductions. The field office will train participants on using SSA's pin and password system and the new SSI automated wage reporting system.

Pilot participants who have obtained a pin and password and wish to use the automated wage reporting system will:

1. Dial the toll-free number (1-866-929-2437);
2. Enter an SSN (pin) and password;
3. Enter the monthly gross wages, in dollars and cents, before deductions;
4. Verify the amount entered. The system will repeat the amount of wages it has recorded and ask the caller if this amount is correct; and
5. Confirm the amount of wages the system has recorded by either saying "yes" or by pressing the number "1" on the telephone keypad. If the caller is not able to confirm the wages, the system will direct him/her to re-enter the amount of wages. The caller will then be asked to verify and confirm the amount of wages re-entered.

The wages will automatically be posted to SSA's systems by the next day.

## **C. Challenges to Timely Wage Reporting and Overpayment Avoidance**

### **1. Challenges from the SSA Perspective**

SSA faces a number of significant challenges in its efforts to process earnings information and make timely post-entitlement (PE) decisions regarding benefit levels and eligibility for SSI and SSDI beneficiaries who work.

#### **a. Complex Program Rules with Respect to the Treatment of Earnings**

The rules and regulations governing the SSI and SSDI programs are complex. The complexity makes the processing of earnings information that might affect benefits or eligibility difficult. The program complexities associated with work effort and earnings imply that a substantial level of knowledge is required on the part of the SSA employee to accurately process the information. Examples of the complexity related to the processing of earnings information are described below.

**Differing, and sometimes inconsistent, rules governing SSI and SSDI.** The work incentive and eligibility provisions of the two disability programs differ greatly. The effect of an additional dollar of earnings in one program is entirely different than in the other, and also depends on the level of earnings at which the additional dollar is earned. SSI benefits are reduced \$1 for every \$2 of earnings after a \$65 earned income exclusion and \$20 general income exclusion. Benefits under SSDI remain unaffected by work until work is above the level of SGA, then are terminated altogether if earnings exceed SGA after a nine-month TWP has been completed. Another complication is the fact that “earnings” are defined differently across the two programs. For SSI, the date when wages were *paid* is of relevance to benefits and eligibility, whereas the period when wages were *earned* is relevant for SSDI eligibility. Concurrent beneficiaries (those receiving both SSI and SSDI benefits) are subject to both sets of rules and the interaction of the rules of the two programs compounds the complexity of trying to assess the effect of earnings on benefits and eligibility. Failure to recognize that a working SSI recipient has become eligible for SSDI is an important example, and the effect that loss of SSDI eligibility might have on SSI payments to concurrent beneficiaries is another. The Special Disability Workload and the complexities between the two programs create an atmosphere of confusion, and unnecessary mistrust that SSA’s outreach messages regarding return-to-work supports cannot be relied upon.

**Numerous factors must be taken into account in making PE determinations based on changes in earnings.** SSA employees must be knowledgeable about a complex set of work incentive provisions that affect benefits and eligibility and must know the circumstances and processes for collecting and applying information related to the numerous provisions. For example, CRs must be knowledgeable about: IRWEs; BWEs; subsidies, unincurred business expenses, student earned income exclusions; 1619(b) provisions that differ across states, may differ by individual, and change annually; TWP, blind versus non-blind SGA, and 1619(a) earnings levels that change annually; and PASS. While SSA is able to recognize an SSI recipient with statutory blindness, it is unable to easily identify an SSDI blind case without the paper folder and a trained eye to seek the information. Blind SSDI beneficiaries, in most cases, must proactively identify themselves to SSA in order for the blind SGA levels to be applied during the work CDR process. This creates confusion in counseling and in processing wage reports and overpayments, as depicted in Overpayment Scenario #4 (*Section III*). In addition, SSA does not have a systematic mechanism for collecting information on IRWEs, subsidies, and unincurred

business expenses in the SSDI program on an on-going basis as they accrue. This information is frequently not collected or taken into account until after an overpayment notice has been mailed to the beneficiary. All of these factors add difficulty to the processing of work activity information in a timely manner.

**Earnings at any time since benefit award, and in some cases, lifetime earnings, must be taken into account to assess current eligibility and benefits.** For SSDI, one must determine that nine TWP months have been achieved within a five-year period before benefits are terminated due to work above SGA. For SSI, recipients who work under the SSI work incentive provisions may achieve SSDI insured status, which is dependent on the age of the beneficiary, lifetime earnings, and recent earnings. If working below SGA at the time SSDI insured status is achieved, the resulting SSDI benefits will affect SSI eligibility and benefits. If working above SGA, the attainment of SSDI insured status will have no impact on SSI eligibility or benefits.

***b. Monthly Accounting***

The monthly accounting used to determine eligibility and benefit levels in the disability programs creates a considerable burden on SSA staff, particularly with respect to the SSI program. The SSI program considers a person's monthly income to determine monthly benefits, and counts all income, including wages, when it is paid. As discussed previously, SSI recipients must estimate how much they will be paid each month for the next 14 months, and then subsequently submit evidence supporting the accuracy of the estimate. As SSI redeterminations frequently cover a period of 12 months or longer, SSA staff must review numerous pay stubs and other information to compute the exact level of income for each and every month during the period, based on the pay dates of the reported income sources.

This is further complicated if the monthly income of a working SSI recipient is paid biweekly on Fridays. Monthly income may vary depending on when the pay days fall each month. Generally, under these circumstances, the SSI recipient will receive three pay checks (instead of two) during two months in each year. All else constant, this will cause the computed SSI benefits for two of the months to be substantially less than the SSI benefits computed for all other months of the year. Thus, this accounting complexity also results in an uneven stream of SSI benefits.

***c. Limited Automation and Labor-Intensive Administrative Processes***

SSA employees presented with evidence of earnings must not only understand the complicated rules and regulations governing the programs, but must also be capable of undertaking the administrative actions necessary to fully process the information. The processes are, to a large extent, paper-driven, and require the beneficiary's permanent paper folder in order to be fully implemented. Procedures illustrating the paper-driven, labor intensity of the process include the following:

- The photocopying of pay stubs or other earnings documentation, then having to manually enter the information from each pay stub into SSA systems;
- The need for field office staff to retrieve paper folders from the program service centers in order to develop work CDRs;
- Earnings information must be entered twice for concurrent beneficiaries, once in the SSI administrative system and once in the SSDI administrative system. In addition, earnings

information from the same paycheck must be defined twice to determine when paid for SSI and when earned for SSDI.

- If the earnings information is ambiguous or incomplete, paper forms are sent to beneficiaries and/or employers requesting additional information. Follow-up, by phone and/or mail, on requested information not returned must also be undertaken and all follow-up attempts and contacts are to be documented.
- While computations are automated to a large degree for the SSI program, the process for conducting a work CDR in the SSDI program is largely manual.<sup>20</sup> SSA claims representatives use pencil and paper to evaluate many months or years of earnings information to determine when TWPs, EPEs, and eligibility for cash benefits started, ended, and/or re-started. According to one SSA interviewee, a typical work CDR generally takes several hours to complete.

The independence of the SSI and SSDI administrative systems also contributes to overpayments to concurrent beneficiaries in response to increases in earnings. As depicted in Overpayment Scenario 2 (*Section II*), beneficiaries might report their earnings, but the information might only be entered and processed in one system and not the other. In addition, bifurcation of the two programs is a contributing factor to the Special Disability Workload currently faced by SSA. As noted above, the Special Disability Workload is comprised of over 500,000 SSI-only recipients who, at some point, became eligible for SSDI. The SSI administrative systems, however, failed to identify these situations and generate appropriate alerts for case processing. The consequences for some of these beneficiaries is depicted in Overpayment Scenario 3 (*Section II*). The retroactive eligibility and benefit determination can result in a sudden and unexpected loss of eligibility for both programs, loss of the associated Medicare and Medicaid benefits, and an overpayment liability, all as a consequence of work and earnings information not being processed appropriately.

*d. Limited Resources, Diffused Responsibility, and Competing Priorities*

Processing earnings reports and making timely adjustments to benefits can take a back seat to other tasks that must be completed by SSA employees. For several years, the concern has been voiced that the resources allocated to administer SSA programs is insufficient.<sup>21</sup> At the same time, the agency continues to down-size its workforce. Work CDRs and SSI redeterminations simply do not occur as frequently as they should because there is insufficient staff to devote to those activities in light of other workload priorities. The low priority of the PE workload has been attributed to several factors:

- Performance standards, similar to those established for initial claims defined in terms of processing time and decision accuracy, do not exist for this workload.
- The workload is not accurately measured and reflected in SSA's systems used to measure productivity and estimate ongoing resource needs. Historically, no work credit is given to a field office for an SSDI work CDR unless SGA and/or TWP actions are taken and documented in the system. It can take many months for these types of documentations to

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<sup>20</sup> Recent enhancements to the work CDR process are described in the next section.

<sup>21</sup> See, for example, Social Security Advisory Board (1999).

occur, but at the same time, field office staff have spent time working the cases and developing the work-related issues. This time is not accurately reflected in the current work measurement system. The absence of systematic information on this workload has kept it “hidden” from SSA management staff.

- Responsibility for various aspects of the workload is spread across numerous entities (teleservice centers, field offices, program service centers) and no single unit or individual is held accountable.
- SSA is frequently “fighting fires.” In other words, resources are frequently diverted and focused on whatever the pressing issue of the moment may be (as defined by Congress, GAO, and/or upper SSA management).

Findings from a recent survey of SSA management, conducted by the National Council of Social Security Management Associations (NCSSMA, 2002), support these assertions and indicate some of the frustration and dissatisfaction experienced by field staff with respect to their ability to adequately perform their jobs and provide quality service to the public. Among the findings were the following:

- 96% of respondents believed that SSA’s downsizing of management has had a significant and negative impact on the quality and accuracy of the work performed.
- 92% of respondents believed that SSA’s work measurement system fails to reflect the amount of work accomplished and the staff required to achieve agency service goals.
- 94% of respondents believed that SSA headquarters is out of touch with the field and unaware of, or not interested in, the problems being experienced in the field.

Some respondents provided comments that further reflect the extent of the frustration on the part of field office managers with the lack of appropriate resources:

“HELP! We continue to drown in ever increasing workloads. We turn our attention to the latest priority workload and then are castigated for letting another workload slip. Once in a while someone above our level recognizes that we don’t have enough people to even do an adequate job, but in the next breath they can’t believe that we haven’t met the redetermination goal yet and we are blamed for not being effective managers. Effective managers? We need magicians!” (p. 34).

“If field offices are in existence to provide service to the public we are missing our mark. Field offices are not staffed to serve the customers. They are staffed according to the amount of work completed in the previous year. These are 2 very different things. The majority of field offices have severe backlogs in post entitlement workloads that remain on the back burner since so much emphasis is on processing claims and workloads which have a definitive goal and a workload count attached to them. The public is not served using this approach.” (p. 31).

Over the past few years, SSA has made a significant effort to allocate resources towards the timely processing of SSI redeterminations. The agency set high targets for performance, and field staff responded. As a result of these, and other efforts, SSI was removed from GAO’s list of high-risk programs. The PE workloads under the SSDI program, however, have not been subject to the same level of scrutiny. One reason for this may be that very little information is available regarding the status of this workload. Because the process is primarily manual until the very last stages of development, it cannot be easily measured or monitored, and existing measures are



relatively meaningless. The fact that SSDI PE workloads cannot be accurately measured or monitored makes them easy to ignore relative to other workloads that are more closely tracked. With TTW, this may be changing, but only on a case-by-case basis. When an EN submits a claim for an outcome payment, SSA must process the outstanding work CDR issues to make a determination that cash benefits have been reduced to zero before the EN can be paid. According to SSA officials, cases where ENs have submitted payment claims do not receive any special or expedited treatment; they are processed in the same manner as other PE workloads. In actuality, however, because SSA Office of Employment Support Programs staff are monitoring and following up on the status of the case, the case will be processed more quickly. SSA regional office staff note that they have been heavily involved in Ticket payment cases and in encouraging field offices to develop work issues and verify earnings on the DCF in a timely manner. While there are still not a large number of Ticket payment cases that need field office intervention, regional office staff note that the cases that do need field office actions are usually quite complex and involve several avenues of development and large outlays of field office staff time. The very newness of the EN payment system on the DCF makes each case very labor intensive in researching all the necessary actions to take on the various systems once the beneficiary has begun to work.

*e. Knowledge, Culture, and Perception of Issues Facing Working Beneficiaries*

Historically, SSA's culture has not supported beneficiary return-to-work efforts. The disability programs operate on the premise that those eligible are unable to work at substantial levels. The nature of the programs has focused on providing income support and access to health insurance in a manner akin to the Social Security old age programs, but not other supports that might assist a beneficiary in achieving greater self-sufficiency. Other types of supports have been under the purview of other health and human service agencies. SSA is an agency established to evaluate information, determine eligibility, and issue checks. It is not equipped to address the myriad of life-altering events that have implications for the self-sufficiency of people with significant disabilities. SSA CRs and other staff are not case managers. They process claims based on the rules and regulations of the program.

The narrow function of SSA, along with the rules and regulations under which the disability programs operate, can engender attitudes and perceptions among SSA staff who deal with the public, attitudes that are not supportive of beneficiary work efforts. Perceptions personally encountered over the past ten years in working on issues related to the programs include the following:

- Once on the disability programs, few leave.
- Few beneficiaries, particularly those in the SSDI program, work. Only a tiny percentage of SSDI beneficiaries who do work will do so at levels that will affect their eligibility for benefits.
- Beneficiaries who attempt to obtain information about work incentive provisions, to maximize the use of those provisions, and to work and keep their benefits, are "gaming" the system.
- Overpayments happen because beneficiaries purposefully don't report their earnings.

The perceptions of the field staff processing beneficiary information are important in light of the challenges noted above: program complexity, limited automation, limited resources,

unmonitored workloads, and competing priorities. If beneficiary work is perceived as an infrequent event that seldom has significant consequences for eligibility, then the perceived importance of developing an in-depth knowledge of the work incentive provisions, and the importance of collecting and processing earnings information in a timely manner will be diminished.

Two examples illustrate how attitudes, combined with the everyday realities of being understaffed and having to juggle competing priorities, work to perpetuate overpayment situations:

- According to one SSA interviewee, many SSDI CRs believe that they do not need wage information to be reported on a regular basis from SSDI beneficiaries. The term used for those who report their monthly earnings is “over-reporters.” These beneficiaries are frequently told by CRs to “come back and see me in a year.”
- According to another interviewee, SSI recipients who were reporting their monthly earnings to their local field office received letters from the field office telling them that they need not continue to report their earnings each month, and that they will be contacted by SSA in a year for further information.

It is certainly true that reporting earnings monthly may be unnecessary in many cases because the amounts reported will not change eligibility or benefits. But how can a beneficiary or CR know that in advance? The message inherent in these examples is that reporting earnings timely is not important because SSA cannot, will not, or need not do anything with the information anyway. If CRs and other SSA staff with whom beneficiaries interact to report earnings project the attitude that such reporting is unnecessary, why should beneficiaries bother to undertake the burden of timely reporting?

*f. Ticket to Work EN Payments*<sup>22</sup>

The outcome payment system for ENs under TTW presents a challenge for SSA. The primary difficulty is determining the point where disability benefits equal zero. This is difficult for all of the reasons noted above related to the processing of earnings information and adjusting benefits and eligibility status appropriately. It is particularly difficult for SSDI beneficiaries, because of factors such as expedited reinstatement, provisional payments, the TWP, and discrepancies between actual payments and what should have been paid (i.e., adjustments for past overpayments and underpayments). Retroactive payment adjustments are often made to the Master Beneficiary Record, changing payment history to reflect what it should have been, rather than what was actually paid, further complicating the EN payment process. The EN payment system cannot handle over- and under-payments automatically; it must be done manually, so that dealing with a beneficiary’s over- and under-payments can be problematic, especially if there are a large number. Given the low priority that SSA has placed on the processing of the PE workload in the past, it is likely that over- and under-payments will be encountered frequently in the processing of EN payments under TTW, at least initially.

The interaction between SSDI and SSI payments for concurrent beneficiaries is another complicating factor. When SSDI benefits cease because of work or earnings, SSI benefits increase in many cases. SSA has had to develop an approach to integrate SSDI and SSI earnings

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<sup>22</sup> Information in this section is derived from Livermore et al. (2003).

and payment postings. This enhancement to the EN payment system was implemented with the second release of the IDMS in late November 2002, but still requires dual entry of the same earnings data.

## **2. Challenges from the Beneficiary Perspective**

Beneficiaries face their own set of challenges to ensuring the timely reporting and processing of earnings information. The challenges described below are compounded by disability-related difficulties SSI and SSDI beneficiaries are faced with in their everyday lives. Navigating SSA's administrative processes and understanding and complying with complex program requirements can be a significant challenge for many beneficiaries whose impairments affect their cognitive and communication skills. It may also be a challenge for many to devote the necessary time and effort required, especially if they are taking on the added effort of work.

### ***a. Understanding Evidence and Processing Requirements and Work Incentive Provisions***

Beneficiaries are told that they must report changes in their earnings to SSA. SSI recipients are required to report any changes in income or living arrangements within 10 calendar days after the end of the month the event or change occurred. But what does "reporting" mean, exactly? In theory, a beneficiary can simply call SSA's 800 number, report the information, and this should trigger a series of follow-up actions on SSA's part to collect and document the alleged earnings with the appropriate evidence. In reality, the process is very labor intensive, and full of opportunities for the necessary steps to be done improperly, overlooked, or ignored by the many different entities that might be involved in the process (beneficiaries, employers, and teleservice center, field office, and program service center staff), especially in light of more pressing workload issues faced by SSA employees. If beneficiaries understand the evidence requirements, and how and when it is best to submit the evidence, the likelihood of the information being appropriately processed might improve.

In addition, SSDI beneficiaries lack a formal and regular mechanism for reporting IRWEs, subsidies, and unincurred business expenses, if applicable. While beneficiaries are told they must report earnings, until an overpayment is experienced, they are frequently unaware of these work incentive provisions or the need to document them. Once the overpayment is experienced, it may be difficult to reconstruct many years of history and obtain the information necessary to accurately take into account these work incentive provisions.

Finally, beneficiaries currently do not receive any manner of receipt or confirmation of reported earnings, except for the work reports that are recorded in the MRTW. The pending H.R. 743 (Social Security Protection Act of 2003) would require SSA to issue a receipt when a person receiving disability benefits reports work or changes in earnings. The current lack of any documentation of this sort makes it impossible for beneficiaries to know for certain that the information reported has been recorded and acknowledged by SSA.

### ***b. Accurately Estimating Monthly Income***

As discussed previously, SSI recipients must estimate how much they will be paid each month for the next 14 months, and then subsequently submit evidence supporting the accuracy of the estimate. Ideally, variations in monthly income (for example, the variation due to biweekly pay dates) will cancel out monthly benefit over- and underpayments over the course of the year. Poor estimates of monthly income and/or unexpected changes to income, resources, or living

arrangements can, however, lead to significant net over- or underpayments at the next redetermination.

***c. Taking Appropriate Follow-up Actions***

Many beneficiaries fail to take appropriate follow-up actions or to remain persistent in pursuing the resolution of a suspected overpayment. According to one benefit specialist, beneficiaries frequently assume that, if they have appropriately reported their earnings and they continue to receive benefit checks, that they must be entitled to them because SSA should know what it is doing. Because beneficiaries often believe that SSA staff know what they are doing and are providing accurate information, they are not diligent about documenting their interactions with SSA in writing, directing inquiries to specific personnel, or requesting written responses or other documentation from the SSA staff with whom they interact. Taking the appropriate follow-up actions may require a significant amount of effort, but more importantly, it also requires a substantial familiarity with the programs' work incentive and eligibility provisions to even be able to discern when benefit receipt is inappropriate and follow-up is necessary.

**3. Challenges from the EN Perspective<sup>23</sup>**

The requirement that ENs track and report the earnings of the clients they are serving, and seeking payment for, under TTW presents a few challenges for ENs.

***a. Tracking Earnings***

According to information collected during TTW process evaluation interviews with staff from all state VR agencies and 27 ENs operating in the 13 Phase 1 states, interviewees from about half of the ENs reported significant concerns about the feasibility and/or appropriateness of tracking client earnings:

- Some considered the tracking requirements invasive of the client's privacy, believing it inappropriate to require the client to report earnings to the EN for such a long period of time (as long as 60 non-consecutive months), and also believing that clients will have little interest in doing so.
- Others were concerned about the administrative burden posed by the tracking requirement. Some noted that, when sufficient payments are received as TTW matures, they will consider hiring additional staff to perform tracking and other administrative activities.

We found widespread concern among interviewees about the ability of ENs and state VR agencies to obtain the documentation that SSA requires to verify earnings, and concerns that delays in obtaining the documentation would result in lengthy payment delays. One EN interviewee noted that, despite the fact that her organization pays TTW clients \$25 to submit the earnings documentation each month, it has encountered difficulty obtaining the information from some clients. According to another EN, on two occasions, TTW clients have quit their jobs when asked for their pay stubs, due to a fear of losing their benefits.

Perceptions regarding the feasibility and anticipated level of effort required to track earnings varied. Several EN interviewees reported that their existing systems would support, or could be

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<sup>23</sup> Information in this section is derived from Livermore et al. (2003).

modified to support, the long-term earnings tracking requirements of TTW. The systems of several ENs were built to track earnings for only 90 days, the period typically necessary for payment for services delivered to clients referred by state VR agencies.

Some of the approaches that have been adopted by ENs for collecting the information from beneficiaries include:

- Aggressive pursuit of wage information, generally by telephone, through both the employee and employers.
- Contract stipulations with Ticket holders that require TTW clients to provide the necessary wage documentation. Clients might also be asked to sign a release that allows the EN to obtain earnings information directly from employers.
- Payment to beneficiaries for reporting the required evidence. One example is the EN noted above that pays beneficiaries \$25 for submission of the required evidence each month.
- Notifying beneficiaries that refusal to submit the required information is a violation of federal law, as well as notifying employers from whom the information is requested that failure to comply is a violation of federal law.

***b. Understanding Evidence Requirements***

Ticket Program Manager staff members responsible for processing EN claims report experiencing some difficulty conveying to EN staff the particulars regarding earnings evidence requirements, including the difference between primary and secondary evidence, and the required elements of each. For example, some VR agencies have stated that they only have quarterly earnings from state Unemployment Insurance data to submit. While such data provide secondary evidence of earnings, additional investigative development is required to verify earnings by SSA, which will delay payment. ENs are being encouraged by the Ticket Program Manager to meet the requirements for primary evidence in order to expedite payment. With respect to primary earnings evidence, one issue that often must be addressed is the fact that pay stubs may not contain all of the information necessary for SSA to process the claim. The subtle differences in how wages are defined under SSI and SSDI (paid vs. earned), and the fact that employer pay stubs do not always reflect both pieces of information, complicate the EN payment process even when ENs have been diligent about collecting the earnings information from beneficiaries.

Interviewees at three ENs that had, at the time of our interviews, submitted claims for payment expressed dissatisfaction with the duration of time required for payment processing. Staff at two ENs reported receiving payment about 120 days after filing a claim. They indicated that they had been told to expect payment in 60 to 90 days. Interviewees believed that four months is far too long to process EN payments and that it is imperative that SSA rectify this problem for TTW to succeed. Staff of two other ENs that had participated previously in the AP program said their experience with that program does not promote confidence that payments will be made expeditiously or in a manner consistent with program requirements.<sup>24</sup>

Ticket Program Manager staff note that the EN payment process has been slow because:

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<sup>24</sup> Each described previous, unsuccessful efforts to collect payments under the AP program.

- The first claims submitted by an EN are generally difficult because of the EN’s inexperience with the process and lack of knowledge of SSA’s information needs to certify evidence as primary.
- The first payment for each beneficiary is often difficult and time consuming because retroactive adjustments to a beneficiary’s record may be necessary. The process becomes much easier after the first payment for a particular beneficiary.

In an attempt to alleviate problems and shorten the long delay for claims processing, the Ticket Program Manager is suggesting that ENs tell beneficiaries to contact their SSA field offices and submit employment information before the EN submits the first payment request. In order for SSA to adjust benefits in response to earnings information, beneficiaries must report their employment status and earnings to SSA. Reports of earnings to the EN do not replace the requirement that beneficiaries report earnings to SSA directly. This added reporting burden for the beneficiary increases the reporting requirement confusion and the likelihood that one or the other report will not be filed.

#### **IV. SUGGESTIONS FOR IMPROVEMENTS**

There are numerous challenges associated with ensuring timely reporting and processing of earnings information. Below, several actions that SSA might undertake are proposed, with the goal of reducing the challenges associated with reporting and processing earnings and reducing the risk of overpayments. The suggested actions include the following:

- Facilitate and increase the use of available electronic quarterly earnings information by adopting a uniform definition of earnings, simplifying the evidence requirements, and wage averaging;
- Centralize work CDR processing in cadres similar to PASS and Special Disability Workload Cadres;
- Expand the formats for reporting earnings and for providing timely feedback on the potential impact of earnings on benefits and eligibility;
- Limit the overpayment liability for beneficiaries who have appropriately reported their earnings;
- Increase beneficiary awareness of reporting requirements and promote greater self-efficacy;
- Establish mechanisms to monitor PE workloads, develop performance standards, and allocate sufficient resources to address PE workloads; and
- Establish a cross-component PE task force to analyze PE issues holistically, identify and prioritize the areas of needed improvement, develop and implement solutions, and be held accountable for monitoring and reporting on the progress and impacts of the changes.

##### **A. Facilitate and Increase the Use of Readily Available Earnings Data**

As noted in previous sections, SSA has been engaged in numerous efforts to increase the use of electronic quarterly earnings data and improve automation so that unreported work activity and earnings that affect eligibility and benefits will be identified and processed more quickly. While these activities have generally been undertaken under the heading of “enforcement” and “overpayment detection and recovery,” the processes developed could form the basis for more

general PE workload processing procedures in the future. Given the current, labor-intensive and burdensome nature of wage reporting and processing requirements, an obvious way to improve upon the process would be to increase the use of existing sources of information on wages, and to automate the process as much as possible. There are two significant obstacles that must be overcome, however, before SSA can make any substantial progress towards the unification of the disability programs, the use of electronic earnings data, and greater automation of PE workloads. The first relates to the separate earnings definitions used in the SSI and SSDI programs. The second relates to SSA's reliance on exact monthly earnings amounts for eligibility and benefit determinations.

## 1. Uniform Definition of Earnings

The SSI and SSDI policy differences related to the counting of wages creates unnecessary complexity and administrative burden. SSI policy requires that wages be counted when received, regardless of when earned. SSDI policy indicates that wages, as a measure of work activity, are to be counted based on when the work is performed, regardless of when the wages are received. The source of the "paid vs. earned" difference arises from the difference in how wages affect the payment calculation for SSI, versus the SGA determinations required for SSDI.

Adopting a uniform definition of wages for both programs, and basing that definition on when wages are *paid*, has several advantages:

- Information routinely reported by employers, and used by SSA, reflects wages *paid*. All of the electronic data sources utilized by SSA for PE eligibility purposes, (including IRS, OCSE, and state Unemployment Insurance data) record quarterly earnings information on the basis of when paid. In addition, several SSA officials note that the wage information submitted by employers at the request of SSA often reflects wages paid, even when information on wages earned is specifically requested. The differing definitions are confusing to employers, as well as ENs that must submit wage information in order to receive payment under TTW. According to one SSA official, over 600 employers nationwide now use The Work Number<sup>®</sup>, a wage verification service, when responding to SSA and other agency requests for wage verification.<sup>25</sup> Employers utilizing The Work Number<sup>®</sup> report only wages paid. It appears that SSA has made no systemic policy or procedural adjustments for wages paid or earned when verified by The Work Number<sup>®</sup>.
- The administrative burden of processing earnings information would be reduced. Greater use of electronic data sources, based on when wages are paid, would facilitate process automation. Using wages paid as the single measure of earnings would also eliminate the need to collect the information necessary to determine when wages were earned, which may reduce the number of follow-up requests for clarifying information from beneficiaries and employers. Finally, it would eliminate the need for two different sets of computations for concurrent beneficiaries.

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<sup>25</sup> The Work Number<sup>®</sup> is an automated service that provides controlled access to a database of employment and earnings records on approximately 60 million employees nationwide. Among other things, it can be used by social service programs to help determine eligibility and to facilitate benefit payment accuracy. For more information, see [www.theworknumber.com](http://www.theworknumber.com).

- A uniform definition of wages would facilitate SSI and SSDI integration. It is difficult to design automated systems to address both SSDI and SSI PE workloads due to the complex differences in the definition of earnings used in the two programs.

In summary, adopting a uniform definition of wages based on when wages are paid will reduce confusion, reduce administrative burden, facilitate the use of existing electronic quarterly earnings data, and facilitate systems integration across the two disability programs.

## **2. Simplify Eligibility and Evidence Requirements Related to Earnings**

Simplifying the process of estimating and verifying wages, particularly for the SSI program, would facilitate the use of quarterly electronic earnings data and reduce the effort expended by beneficiaries and SSA in wage accounting activities.

A recent SSA study (SSA, 2001b) proposes options whereby SSA would use average wages, rather than the exact amount paid each month, to estimate and verify wages for purposes of SSI benefits and eligibility. The two options include:

- Assign wages to a month using the average wage over the number months worked at a specific job during a year, or over the calendar year, whichever is less. When estimating wages, SSA would use the expected annual amount divided by 12. When verifying wages, SSA would divide wages paid during the year by the lesser of the number of months worked during the year or 12, then post the wages to the appropriate months.
- Assign wages to a month using the average wage over the calendar year, regardless of the number of months worked. When estimating, SSA would use the expected annual amount divided by 12. When verifying wages, SSA would divide wages paid during the year by 12.

The study evaluates the effect of these changes on annual benefits, SSA employee work hours, and administrative costs. The findings indicate that implementing wage averaging in the SSI program would: have little or no effect on annual benefits for most beneficiaries; lead to negligible changes in program costs for beneficiaries in continuous payment status; and would save an estimated \$250 million in administrative costs over five years.

There is already a precedent for wage averaging in the SSI program. Self-employed recipients estimate how much they will earn for the year, rather than having to estimate monthly amounts. SSA divides the annual estimate by 12 to compute SSI benefits. Subsequently, when SSA verifies earnings from self employment, it uses the recipient's tax return for verification of the annual amount.

Wage averaging could also be used to simplify SGA computations and work CDRs in the SSDI program, particularly if used in conjunction with an earnings definition based on when wages are paid, and quarterly and annual electronic earnings data.

If average paid wages are used as the basis for eligibility and benefit determinations, then the evidence requirements for earnings should also be simplified in both programs to further facilitate the PE processing of wage information. Electronic quarterly OCSE, state Unemployment Insurance, and/or annual IRS earnings data could be used as the first and/or default source of earnings information, and be supplemented by reports by beneficiaries and employers in instances where the electronic data are inadequate (e.g., self employment income) or where significant discrepancies between self-reported and electronic data exist. Corroboration



of reported earnings information via employers or other detailed documentation would be done as the *exception*, rather than the rule.

Because the SSI program must also consider income from a variety of other sources, the availability of quarterly electronic earnings data could never completely replace beneficiary reporting requirements. But, as wages are the primary reason for SSI and SSDI overpayments, and the most time-consuming aspect of SSI redeterminations (SSA, 2001b), wage averaging and greater reliance on electronic earnings data and automation have significant potential to reduce both SSA and beneficiary burdens. Greater automation and use of quarterly electronic earnings data would also increase the frequency that beneficiary work activity is checked and verified, thereby minimizing overpayments. There is already a precedent in SSA policy for verification of earnings on a quarterly basis. Section SI 02302.060 of SSA's Program Operations Manual System (POMS) indicates that, in addition to the annual SSI redetermination required for section 1619(a) and (b) cases, earned income must be verified at least quarterly. This policy likely reflects the recognition that beneficiary work status can change over relatively short periods and result in consequences to benefits and eligibility. The rationale for this policy should also be applied to the SSDI program and serve as a device to record, verify, and evaluate the effect of return to work on SSDI benefits in a timely (at least quarterly) manner.

In general, it would seem useful for SSA to scrutinize its PE policies and procedures in light of 21<sup>st</sup> century processes and capabilities, and to adapt accordingly. Federal and state governments already require employers to submit earnings data on their employees. SSA needs to develop the means to make expeditious use of these data for purposes of managing its programs. While full and timely access to these data are short-run obstacles, SSA's own policies and procedures appear to be far greater hindrances to widespread and efficient use of available electronic earnings information in PE workload processing.

### **B. Centralize Work CDR Processing**

SSDI work CDRs are labor intensive and require an in-depth knowledge of SSDI work incentives and eligibility provisions. In addition, responsibility for conducting tasks associated with work CDRs is currently spread across teleservice centers, program service centers, and field offices. As much of the process is not automated, it requires the movement of paper folders, forms, and notifications between components, increasing the chances that errors and oversights will occur.

One improvement would be for SSA to place primary ownership of the work CDR workload within a single component. This could be either the field office or program service center. Assigning responsibility to a single component would eliminate hand-offs, facilitate more uniform processing, and establish greater accountability.

Going a step further, SSA could establish a unit or units devoted *only* to SSDI PE work issues. These units might be staffed with CRs that have undergone training similar to the training provided to ESRs, who would specialize in the processing of work CDRs. The difference would be that these CRs would not undertake the outreach and work incentive education activities that were conducted by ESRs during the ESR pilot. Several units could be located within each region in a manner similar to SSA's PASS and Special Disability Workload cadres. While face-to-face contact with all beneficiaries would not be possible, it would seem that in the case of work CDRs, face-to-face contact is far less critical than establishing a specific unit as the single

repository for earnings information and holding that unit accountable for following up and processing the information requested and received.

### **C. Expand Formats for Reporting Wages Electronically and Receiving Timely Feedback**

Expanding the formats by which beneficiaries can easily report earnings information and receive fast feedback regarding the potential effect of the information on benefits and eligibility might improve beneficiary reporting, reduce the likelihood of overpayments, and/or reduce the unexpected consequences of overpayments.

#### **1. Electronic Reporting**

Touchtone telephone and internet-based methods could be developed as electronic means for beneficiaries to report monthly earnings, but also to provide instant feedback on benefits and eligibility issues. There is already precedent for using these reporting methods in public programs. Touchtone phone reporting is used by some states for weekly reporting requirements for Unemployment Insurance, and internet-based eligibility processes have already been developed and successfully used for state Medicaid programs (Lewin, 2001b). As discussed previously, SSA is piloting a touchtone reporting system for the SSI program.

Electronic reporting and feedback have the potential to reduce the burden of reporting, inform beneficiaries of the potential consequences of earnings, speed up the processing of information, and make more timely adjustments to benefits. An electronic wage reporting and feedback application for the Social Security disability programs might work as follows: A beneficiary inputs the earnings amounts via phone or internet (along with other information needed to identify the beneficiary and indicate the period of the earnings), and in response to the information reported, would receive a message indicating one or more of the following:

- The amount reported will likely have no impact on the current monthly SSI/SSDI benefit;
- The amount reported may reduce/increase the monthly SSI benefit;
- The amount reported is sufficient to trigger a TWP month, and a brief explanation of the potential effect of having worked nine months or more at this level;
- The amount reported exceeds the level of SGA, and the potential consequences to monthly benefits.

The messages would contain all the appropriate disclaimers and qualifiers, but the basic message would be that the amount worked is or is not significant to benefits, and that the beneficiary should undertake some specific action and/or expect some change in benefit or eligibility status. The “instant” feedback could be followed-up with a letter generated automatically which acts both as a receipt/confirmation that SSA received the information reported, and an opportunity to convey information to the beneficiary about the potential impact on benefits of the earnings amounts reported. The instant feedback and letters could also emphasize the fact that monthly benefits will not adjust immediately, and that the beneficiary will likely be overpaid for one or more months.

There are two limitations to this suggestion. First, the feedback information can never be specific enough to truly reflect each beneficiary’s specific benefit computation. It can only be as tailored and specific as SSA administrative systems will allow. That is particularly problematic for SSDI,

because currently, the work CDR process is primarily manual. But even relatively untailored feedback might be useful for reminding beneficiaries of the earnings thresholds and consequences relevant to SSDI, as well as the effect of changes in earnings on SSI benefits. The feedback messages and receipt letters would also serve as frequent reminders to the beneficiary to: report earnings; remain mindful of the potential effects on benefits; be aware that SSA will not adjust payments immediately; and to expect an overpayment that must be repaid.

A second, and probably more significant, limitation to this suggestion is that the reported information is only useful to SSA if it is actually *used*. As noted previously, current evidentiary requirements and program rules would make it difficult for SSA to use the information except for purposes of estimates for SSI computations or as just another flag for possible earnings issues that require further development. It would likely not speed up development for purposes of adjusting benefits, and thus, would not have much of an effect on the incidence of overpayments. Touchtone and internet reporting will only become effective tools for preventing overpayments when SSA is able to make better use of electronic earnings data and further automate its work CDR processes.

Along with its ability to automate the work CDR development process, MRTW has several features that represent steps in the direction of SSA being able to provide feedback to beneficiaries in response to reported earnings. First, MRTW has a function whereby it produces a letter, or receipt, acknowledging the information reported by the beneficiary. Second, the Benefits Planning Query feature of MRTW provides feedback regarding recent earnings, TWP and EPE months.<sup>26</sup> MRTW's effectiveness, however, is hampered by the fact that it is not integrated with the DCF and its use is not widespread.

## 2. EN Reporting of Beneficiary Earnings

The burden of reporting earnings might be lessened for some beneficiaries if SSA would allow the earnings information submitted, by way of ENs, to be sufficient for purposes of meeting the SSA reporting requirements. Currently, beneficiaries participating in TTW are required to submit earnings evidence directly to SSA, regardless of the fact that they might have already submitted such evidence to the EN, who in turn, has submitted it to the Ticket Program Manager, who subsequently submits it to SSA. The duplication of effort seems unnecessary if the information ultimately ends up and is processed in the same place. For SSDI beneficiaries in particular, where earnings are the only type of income information of ongoing interest to SSA, the duplicate reporting seems unnecessary.

SSA must certainly maintain its reporting requirements and procedures, because not all beneficiaries who work will participate in TTW, and for SSI, income other than earnings must be reported. It seems, however, that greater integration of the existing requirements with the TTW processes could be rather easily achieved. The Ticket Program Manager has been established, for purposes of interfacing with SSA systems, to mimic an SSA field office. It would seem, then, that it could also mimic a field office for the general purpose of receiving earnings reports, rather than just for the specific purpose of receiving earnings reports to process EN payment claims.

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<sup>26</sup> The Benefits Planning Query feedback is, however, only as up-to-date as the electronic administrative data from which the information is derived.

This is particularly the case since the DCF is now, presumably, the electronic storage site for all earnings information to be used by both the SSI and SSDI programs.<sup>27</sup>

Allowing the information reported by way of ENs to satisfy the SSA reporting requirements for beneficiaries participating in TTW might also have added benefits for ENs. It could be marketed as a “service” to beneficiaries. The EN would be responsible for submitting the earnings information, and for monitoring the Ticket Program Manager and SSA to ensure timely processing of the information.

#### **D. Limit Overpayment Liability for Beneficiaries Who Appropriately Report**

Currently, SSA will waive overpayments if they are under \$500, or if they are not due to the fault of the beneficiary and the beneficiary demonstrates that the overpayment cannot be repaid. Features of the SSI program appear to provide some protections from extremely large overpayments (the expectation of monthly reporting, redeterminations conducted at relatively short intervals), but this is generally not the case for SSDI beneficiaries. Because SSDI payments are, on average, higher than SSI payments, and because SSDI overpayments can go undetected for many years, they have the potential to sum to tens of thousands of dollars.

In support of the objective of promoting beneficiary work efforts and engendering greater trust in the program, SSA could establish policies that limit beneficiary liability for overpayments under certain circumstances. For the SSDI program in particular, SSA might consider limiting overpayment liability to an amount equal to benefits paid for a period of six months, after any over- and underpayment amounts have been taken into account. This type of overpayment waiver would only be offered to SSDI beneficiaries who demonstrate that they have appropriately reported work and earnings changes to SSA, and the overpayment occurred entirely because SSA did not process the reported information. For this policy to work, it would require that SSA issue receipts or some manner of acknowledgement for wage reports similar to the requirements of H.R. 743.

A policy such as this:

- would demonstrate that SSA recognizes the limitations of its current process and is willing to accept some of the burden associated with overpayments when the beneficiary is not at fault;
- might lead to greater accountability on SSA’s part because the waivers, and associated lost overpayments, would provide documented evidence and statistics on SSA’s inability to process work CDRs. It would also make it more costly for SSA to ignore the processing of work CDRs; and
- would demonstrate that SSA recognizes the significant impact a large overpayment can have on the financial and non-financial well-being of the beneficiaries whose work attempts it is trying to support.

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<sup>27</sup> This might already be the case in actuality. If TTW participants do not report earnings directly to SSA, but report them via the EN, it would seem that the end-result benefit adjustment in response to earnings would occur regardless.

### **E. Increase Beneficiary Awareness and Promote Self-Efficacy**

Overpayments, even under the most ideal circumstances, are inevitable if a beneficiary goes to work for any period of time. Even if beneficiaries report earnings timely, SSA cannot make instantaneous adjustments. Beneficiaries who return to work need to understand and plan for this. They also need to know how and when it is important to report earnings, need to be aware of when SSA is not processing the information reported and making appropriate adjustments to benefits, and need to know how to follow up and pursue suspected overpayments. Given the current state of how the programs operate, beneficiaries who return to work need to develop a healthy distrust of SSA's administrative processes and take on greater responsibility for preventing and/or planning for overpayment situations. Currently, the only way beneficiaries can guarantee that they will not suffer the adverse consequences of an unexpected overpayment is by tracking their earnings, noting "pivotal" earnings events that may change benefits or eligibility status, and being doggedly persistent in seeking accurate information and resolution of the issue.

Teaching beneficiaries about work incentive provisions, how to deal with SSA processes, and how to take ownership of the risk of overpayment is very difficult. It is not so different from the challenges associated with the complex federal income tax system. There are, perhaps, some lessons from the income tax system that can be applied to earnings reporting in the disability programs.

**Lesson 1: Awareness.** Everybody knows the magic date of April 15<sup>th</sup> with respect to income taxes. It is a certainty and the typical taxpayer receives numerous reminders of the tax due date in the form of employer W2 forms, 1099 forms, and federal and state tax filing forms being mailed to the taxpayer, public service announcements, and H&R Block commercials. SSA also has its reporting forms and information requests, but they likely do not arrive at consistent intervals or in a timely manner. Working beneficiaries need some manner of periodic reminders to report earnings, of events that trigger eligibility changes, and of how and to whom the earnings should be reported. SSA might consider sending out the equivalent of a Benefits Planning Query statement on a quarterly or annual basis to any beneficiary with recent work activity, along with reminders about the consequences of work activity and how to report earnings. These might be automatically generated from the alerts arising from SSA's enforcement activities using electronic earnings information. There is already precedent for this type of activity in the Social Security retirement program. Retirement beneficiaries will receive a "Mid-Year Mailer" requesting a revised estimate of earnings when, based on SSA review of annual IRS data, earnings exceed certain amounts.<sup>28</sup>

**Lesson 2: Tools and Assistance.** Some taxpayers require assistance to sort out their income taxes, while others can do it on their own or with the help of tax preparation tools. The same is likely true for beneficiaries trying to navigate work incentive provisions and administrative requirements. The IRS supports numerous tools and forms of assistance to taxpayers (e.g., extensive website information, instruction manuals, tax help-lines, the Volunteer Income Tax Assistance and Tax Counseling for the Elderly programs). SSA has recently made available two important resources for assistance – the BPAO programs and ESRs. It is too early to determine how effective these resources are and whether the level of support currently provided by SSA for these resources is sufficient to meet the demand for them, but in general, these and other

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<sup>28</sup> See POMS RS 02510.010.

forms of assistance should be pursued. SSA might consider developing and supporting the dissemination of tools that will assist beneficiaries in tracking their earnings and relevant work incentive information (e.g., IRWEs, subsidies, unincurred business expenses), and becoming aware of eligibility event triggers. One such tool for beneficiaries, in the form of a workbook, already exists.<sup>29</sup> Computerized versions might also be developed and disseminated via SSA's website. If SSA were truly to enter the E-government era, it would utilize a web- or PC-based program similar to TurboTax<sup>®</sup>, to have beneficiaries self-report earnings information electronically, which is later verified via quarterly and annual earnings data submitted by employers. TurboTax<sup>®</sup>, in agreement with the IRS, does not require the submission of the paper forms W2 and 1099. If there is some discrepancy with the information submitted to the IRS by the employer or financial institution, the IRS might then require the taxpayer to submit additional information.

**Lesson 3: Penalties and Timely Enforcement.** The IRS imposes stiff penalties on tax evaders and those who incorrectly file their tax returns. The IRS also uses a sophisticated system to flag tax returns for audit, based on probability profiles. SSA has similar tools at its disposal for purposes of enforcement, but it appears that the tools may be underutilized. Earnings alerts frequently go unheeded and penalties for non-reporting are rarely levied. Penalties may be an effective means for making beneficiaries aware of reporting requirements, but they will only be effective at reducing overpayments if they are applied in a timely and consistent manner. It would seem ridiculous to apply a \$25 penalty for non-reporting two years after the violation and in conjunction with a very large overpayment. But a small penalty applied immediately and consistently would likely encourage timely reporting. More general use of penalties could only be implemented, however, when SSA has developed a mechanism for acknowledging and documenting wage reports and providing receipts to beneficiaries for the reported information. It would be unfair to penalize beneficiaries who report their earnings, but because of SSA's current, manual system for processing the information, the information is lost and proof of the reported information is unavailable.

Because of the added importance and greater cost implications to SSA of reporting earnings under TTW, additional requirements and reporting penalties for beneficiaries who assign Tickets to ENs might also be considered.

#### ***F. Establish Performance Standards, and Monitor and Allocate Sufficient Resources to PE Workloads***

As noted previously, SSA has made a significant effort over the past several years to allocate resources towards the timely processing of SSI redeterminations. The PE workloads under the SSDI program have not received the same level of attention. It appears that SSA can neither accurately measure this workload nor monitor its performance. The absence of reliable information about the SSDI PE workload is alarming. SSA cannot begin to address the underlying causes of overpayment situations among beneficiaries that return to work without first developing the means to quantify the issue.

SSA needs to develop the ability to monitor the status of earnings alerts generated from IRS data, and the progress of SSDI cases as they move between SSA components and as work issues are

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<sup>29</sup> See the handbooks developed by Michael Walling at [www.wallinginc.com](http://www.wallinginc.com).

developed. Once a system for accurately tracking the workload has been established, SSA needs to set timeliness and accuracy goals for the process, including goals for each action and component. The performance information could then be used to establish accountability, ensure timely actions to minimize overpayments, evaluate manager performance, and allocate resources appropriately.

As noted previously, SSA has already developed a mechanism for tracking SSDI PE workloads as part of MRTW. Integration of MRTW with the DCF, and making use of MRTW mandatory should be a priority of SSA.

### **G. Establish a Cross-Component Task Force to Address PE Issues**

It seems clear that the causes and implications of earnings-related overpayments stem from and affect many different components within SSA. This creates tremendous challenges to addressing the issue of untimely processing of earnings information. No single component has the ability to address all of the root causes, which appear to spawn from: program policies; operational procedures; systems; the training, management, and roles of staff at various levels and from various components; and the knowledge and behaviors of beneficiaries.

SSA should consider establishing a cross-component PE task force. The responsibilities of the task force would be to analyze PE issues *holistically*, identify and prioritize the areas of needed improvement, develop and implement solutions, and be held accountable for monitoring and reporting on the progress and impacts of the changes. The task force would be comprised of representatives from components within the offices of: Operations; Systems; Disability and Income Security Programs; Finance, Assessment, and Management; Policy; Human Resources; and possibly others.

A cross-component task force will, however, only be effective in addressing PE issues if it is empowered and provided adequate resources to explore, test, implement, and measure the impact of changes to the system. If the agency is not truly committed to addressing the program inadequacies that plague disability beneficiaries attempting to work, a PE task force will be ineffective and a waste of valuable effort. Before any significant progress can be made, the agency must perceive the importance of addressing general PE issues in the context of the larger public policy goal of supporting work outcomes and promoting the self-sufficiency of people with disabilities. Earnings-related overpayments are only one symptom of a much larger and more fundamental issue: the Social Security disability programs simply are not designed to support employment.

## **V. SUMMARY AND CONCLUSIONS**

Unanticipated benefit overpayments can have significant, negative consequences for beneficiary work efforts and well-being. The shock of a large debt to the government can weaken an already tenuous attachment to the labor force a beneficiary may have struggled to achieve. Timely reporting and processing of earnings information is essential to avoiding overpayments, but SSA faces numerous challenges under its current system. While TTW has necessitated a number of changes to SSA's systems and has generated a greater focus on PE work issues, SSA still has a long road to travel before large and unanticipated overpayments due to beneficiary work effort become something of the past.

Numerous individuals and entities are involved in reporting earnings, processing the information so that disability benefits are adjusted appropriately, and dealing with overpayments that are identified. **Table A-1**, provided as an attachment to this paper, enumerates and summarizes the many entities involved in PE earnings-related issues, along with the roles and challenges associated with each as addressed in this paper. Underlying these functions are the basic program rules, systems, and procedures governing PE issues, which are developed and evaluated by many different components within SSA. **Table A-2**, also provided as an attachment, enumerates the various SSA offices believed to be involved in the development and evaluation of PE-related policies, systems, and procedures.

Although there are numerous SSA components and external entities involved in the PE process and many reasons why overpayments occur, an initiative designed to reduce overpayments can be conceptualized in a relatively simple framework. **Exhibit 1** below presents a basic framework that characterizes an initiative to reduce the incidence of earnings-related overpayments as being comprised of three principal components: the direct effects; intermediate outcomes; and the final outcomes the initiative is intended to achieve.

**Exhibit 1: Framework for Conceptualizing an Overpayment Reduction Initiative**

Initiative	Overpayment Reduction Initiative
↓↓ Direct Effects ↓↓	<ul style="list-style-type: none"> <li>• Reduced complexity of program rules and evidence requirements</li> <li>• Greater coordination and integration of SSI and SSDI</li> <li>• Increased automation/reduced labor intensity of work CDRs</li> <li>• Greater tracking, monitoring, and management of PE workloads</li> <li>• More frequent assessment/monitoring of beneficiary work activity</li> <li>• Reduced beneficiary reporting burden</li> <li>• More tools and frequent reminders for beneficiaries about reporting requirements and the impact of work on benefits</li> </ul>
Intermediate Outcomes ↓↓	<ul style="list-style-type: none"> <li>• Reduced processing time for work-related PE actions</li> <li>• Benefit/eligibility adjustments achieved more timely</li> <li>• Greater beneficiary awareness of and compliance with reporting requirements</li> <li>• Reduced incidence of Ticket assignments by ineligible beneficiaries</li> </ul>
Final Outcomes	<ul style="list-style-type: none"> <li>• Reduced incidence of earnings-related overpayments</li> <li>• Greater support for and improvement in beneficiary work efforts</li> <li>• Reduced long-term disability program costs</li> </ul>

In this framework, the *direct effects* represent the direct actions or results of the initiative. These are the means by which the initiative produces the intended final outcomes—reduced incidence of overpayments, greater support for working beneficiaries, and reduced long-term program costs. If the initiative fails to produce these direct effects, it presumably cannot work, at least according to the assumptions underlying the means that will lead to the desired outcomes. If direct effects are substantial, they can have an impact on *intermediate* and *final* outcomes. An intermediate outcome is an outcome of the initiative, narrowly related to the specific activities of the initiative. Intermediate outcomes can act as indicators of program success, but do not necessarily represent the primary goal or purpose of the initiative. Final outcomes represent the



broad goals or purposes of the initiative. Representing an initiative in such a framework is helpful, particularly if the nature of the initiative and direct effects are complex and diffused over numerous entities. The framework forces the user to articulate the intended means and outcomes, thereby providing a basis for questioning underlying assumptions and developing indicators of progress and success. It also helps one not to lose sight of the forest for the trees.

Both beneficiaries and SSA need to take greater ownership of the PE process, but an easy solution to the issue of earnings-related overpayments is not evident. Minimizing the risk of overpayments for beneficiaries who return to work will require significant resources and a concerted effort on SSA's part, both to foster beneficiary compliance with reporting requirements and to process the information reported. SSA is engaged in large-scale changes to its administrative systems to accommodate TTW. To date, the changes brought about by the implementation of the DCF represent small steps towards addressing the fundamental reasons for overpayments due to work activity. The DCF has not reduced the administrative burden, but rather, seems to have added to it. In the short-run, this might be expected of any new system, but in the long-run, SSA needs to incorporate features in the DCF to support the decision making and workload processing undertaken by field staff. The fact that the DCF and MRTW were developed independently of one another seems an indication of a major disconnect between the needs of field staff in processing workloads and the needs of central office staff in managing programs.

TTW has brought about many changes, some of which will likely improve the processing of work reports. The fact that ENs must submit proof of earnings to be paid, and that benefits must be appropriately adjusted before an EN payment determination can be made have raised the importance of processing PE workloads. There are now a few more squeaky wheels demanding that the workload be processed. But the fact that these workloads have not been adequately processed in the past could undermine the success of TTW in a number of ways:

- Beneficiaries fearing overpayments may choose not to participate in TTW;<sup>30</sup>
- Beneficiaries with overpayments that have not been identified but subsequently are uncovered because of participation in TTW will equate TTW with overpayments and may choose to withdraw from working and participating in TTW;
- ENs submitting their first claims for outcome payments on a Ticket holder will be forced to wait long periods for payment while SSA sorts out years of information to determine whether benefits have gone to zero; and
- SSA may allow the assignment of Tickets by beneficiaries who are already working and are, in actuality, ineligible for TTW. Depending on SSA's policy regarding these Ticket assignments, either SSA or ENs will bear the cost of this mistake.

It will require a substantial investment on SSA's part to address the current challenges, but to ignore the importance of timely reporting and timely processing of PE issues could be, in many ways, much more costly to SSA in the long run.

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<sup>30</sup> In his testimony to the Ticket to Work and Work Incentives Advisory Panel, Cebula (2003) notes that participants in a recent focus group, convened at his Disability Law Center in Boston, MA, referred to Ticket to Work as the ticket to overpayments. Many of the agency personnel in attendance were steering their clients clear of TTW due to bad experiences with overpayments and the resulting dealings with SSA.

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## LIST OF ACRONYMS

AFGE	American Federation of Government Employees
ALJ	Administrative Law Judge
CDR	Continuing Disability Review
CR	Claims Representative
DCF	Disability Control File
BPAO	Benefits Planning, Assistance, and Outreach
EN	Employment Network
EPE	Extended Period of Eligibility
ESR	Employment Support Representative
GAO	General Accounting Office
IDMS	Integrated Disability Management System
IRS	Internal Revenue Service
IRWE	Impairment Related Work Expenses
MRTW	Modernized Return to Work software
NCSSMA	National Council of Social Security Management Associations
OCSE	Office of Child Support Enforcement
PASS	Plan for Achieving Self Support
PC-CDR	Personal Computer-Continuing Disability Review software
PE	Post Entitlement
POMS	Program Operations Manual System
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSDI	Social Security Disability Insurance
SSI	Supplemental Security Income
TA	Technical Assistance
TTW	Ticket to Work program
TWP	Trial Work Period

**ATTACHMENTS**

**Table A-1: Entities Involved in Processing Earnings-Related PE Issues**

**Table A-2: SSA Components Involved in Developing and Evaluating PE Policies, Systems, and Procedures**

**Table A-1: Entities Involved in Processing Earnings-Related PE Issues\***

Entity	Role	Challenges/Potential Problems Associated with Entity
<b>Sources of Earnings-Related Information</b>		
Beneficiaries and Representative Payees	<ul style="list-style-type: none"> <li>Report earnings and other work related activities to SSA</li> </ul>	<ul style="list-style-type: none"> <li>Non-reporting</li> <li>Understanding reporting and evidence requirements</li> <li>Understanding work incentive provisions</li> <li>Accurately estimating monthly income</li> <li>Understanding when and how to take follow-up actions</li> </ul>
Employers	<ul style="list-style-type: none"> <li>Respond to SSA request for information to verify earnings reports</li> </ul>	<ul style="list-style-type: none"> <li>Most likely to report only earnings when paid</li> <li>May be unresponsive or slow to respond to SSA requests for information</li> </ul>
TTW Employment Networks	<ul style="list-style-type: none"> <li>Report beneficiary earnings to the Ticket Program Manager for purposes of EN payment under TTW</li> </ul>	<ul style="list-style-type: none"> <li>Understanding reporting and evidence requirements</li> <li>Understanding work incentive provisions</li> <li>Tracking beneficiary earnings</li> <li>Payment delays</li> </ul>
IRS	<ul style="list-style-type: none"> <li>Annual IRS data used by SSA for purposes of SSDI program enforcement</li> </ul>	<ul style="list-style-type: none"> <li>Data not sufficient for benefits/eligibility determinations</li> <li>Data only available on annual basis</li> </ul>
Office of Child Support Enforcement	<ul style="list-style-type: none"> <li>Quarterly OCSE data used by SSA for purposes of SSI program enforcement.</li> </ul>	<ul style="list-style-type: none"> <li>Data not sufficient for benefits/eligibility determinations</li> <li>Data only available on quarterly basis</li> <li>Data only widely available for use on SSI cases</li> </ul>
<b>SSA (and Contractor) Components Involved in Processing Earnings-Related Information</b>		
Teleservice Centers	<ul style="list-style-type: none"> <li>Responds to beneficiary/third-party inquiries on work issues</li> <li>Receives earnings report from beneficiaries/third parties</li> <li>Mails forms to beneficiary requesting additional information or instructs field office to mail forms</li> <li>Notifies field offices of reports</li> </ul>	Not Addressed
Program Service Centers	<ul style="list-style-type: none"> <li>Responds to beneficiary/third-party inquiries on work issues</li> <li>Receives earnings reports from beneficiaries/third parties</li> <li>Receives alerts generated from IRS data matches</li> <li>Develops earnings evidence and/or refers cases to field office</li> <li>Verifies earnings and determines impact on eligibility/benefits</li> <li>Posts changes in eligibility/benefits to MBR and SSR</li> <li>Generates notices to beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>Provides inaccurate information to beneficiaries</li> <li>Duplicates field office activities</li> <li>Neglects to respond to enforcement alerts generated from IRS data matches</li> <li>Delays in responding to folder requests from field offices</li> <li>Delays in developing earnings evidence due to requirements and competing priorities</li> <li>Delays in making eligibility/benefit determinations due to process complexity, labor intensity, missing information, and competing priorities</li> <li>Delays in making both SSI and SSDI determinations for concurrent beneficiaries due to system bifurcation</li> <li>Inaccurate determinations due to insufficient information or insufficient experience</li> </ul>

**Table A-1 (continued): Entities Involved in Processing Earnings-Related PE Issues\***

Entity	Role	Challenges/Potential Problems Associated with Entity
<b>SSA (and Contractor) Components Involved in Processing Earnings-Related Information (continued)</b>		
Field Offices	<ul style="list-style-type: none"> <li>• Responds to beneficiary/third-party inquiries on work issues</li> <li>• Receives earnings report from beneficiaries/third parties</li> <li>• Develops earnings evidence</li> <li>• Verifies earnings and determines impact on eligibility/benefits</li> <li>• Posts changes in eligibility/benefits to MBR and SSR</li> <li>• Generates notices to beneficiaries</li> </ul>	<ul style="list-style-type: none"> <li>• Provides inaccurate information to beneficiaries</li> <li>• Duplicates program service center activities</li> <li>• Delays in developing earnings evidence due to requirements and competing priorities</li> <li>• Delays in making eligibility/benefit determinations due to process complexity, labor intensity, missing information, and competing priorities</li> <li>• Delays in making both SSI and SSDI determinations for concurrent beneficiaries due to system bifurcation</li> <li>• Inaccurate determinations due to insufficient information or insufficient experience</li> </ul>
Office of Employment Support Programs	<ul style="list-style-type: none"> <li>• Adjudicates EN payment claims</li> <li>• Determines beneficiary Ticket eligibility</li> <li>• Terminates Tickets</li> </ul>	<ul style="list-style-type: none"> <li>• Delays in adjudicating EN payments due to delays in collecting and processing past work activity information</li> <li>• Inaccurate determinations of Ticket eligibility due to delays in collecting and processing past work activity information</li> </ul>
Ticket to Work Program Manager	<ul style="list-style-type: none"> <li>• Informs ENs of Ticket assignability</li> <li>• Collects and certifies earnings information received with payment claims from ENs</li> <li>• Make outcome payments to ENs</li> </ul>	<ul style="list-style-type: none"> <li>• Inaccurate information re: Ticket assignability due to delays in SSA collecting and processing past work activity information</li> <li>• Educating ENs about reporting and evidence requirements</li> <li>• Educating ENs about reasons for payment delays</li> </ul>
?????	<ul style="list-style-type: none"> <li>• Conducts enforcement activities using IRS and OCSE earnings data to profile beneficiaries</li> </ul>	Not Addressed
<b>Entities Involved in Actions Associated with Identified Overpayments</b>		
Beneficiaries and Representative Payees	<ul style="list-style-type: none"> <li>• Liable for overpayment</li> <li>• Request reinstatement of benefits</li> <li>• Request overpayment waiver and undertakes associated actions</li> <li>• Request personal conference/reconsideration and undertakes associated actions</li> <li>• Request appeal and undertakes associated actions</li> </ul>	<ul style="list-style-type: none"> <li>• Understanding waiver, reconsideration, and appeals processes</li> <li>• Financial and psychosocial burden of unexpected overpayment and associated actions to address it</li> </ul>
BPAO Benefit Specialists	<ul style="list-style-type: none"> <li>• Assist beneficiaries in understanding overpayment circumstances and the procedures for addressing overpayments</li> <li>• Assist beneficiaries with collecting required information and assessing the accuracy of SSA overpayment determinations</li> </ul>	Not Addressed

**Table A-1 (continued): Entities Involved in Processing Earnings-Related PE Issues\***

Entity	Role	Challenges/Potential Problems Associated with Entity
<b>Entities Involved in Actions Associated with Identified Overpayments (continued)</b>		
Lawyers/Legal Advisors	<ul style="list-style-type: none"> <li>Assist beneficiaries in addressing overpayment determinations</li> </ul>	Not Addressed
Field Offices	<ul style="list-style-type: none"> <li>Assist beneficiaries in understanding overpayment circumstances and the procedures for addressing overpayments</li> <li>Assist beneficiaries with collecting required information to assess the accuracy of SSA overpayment determinations</li> <li>Process requests reinstatement of benefits</li> <li>Process requests for overpayment waiver</li> <li>Process requests for personal conference/reconsideration</li> <li>Initial processing of appeal request</li> </ul>	Not Addressed
ALJs and Appeals Council	<ul style="list-style-type: none"> <li>Review and make determinations regarding waiver and overpayment determination appeals</li> </ul>	Not Addressed

\* Based on the information collected and reviewed for this paper, and on the author’s assumptions regarding the roles and responsibilities of specific components. It is beyond the scope of this paper to investigate and describe all of the components within SSA conducting PE-related functions. Inaccuracies and omissions are probable.



**Table A-2: SSA Components Involved in Developing and Evaluating PE Policies, Systems, and Procedures\***

SSA Office	Development/Evaluation Function
Operations Systems	<ul style="list-style-type: none"> <li>Develop and maintain computer systems used for SSI and SSDI PE workload processing</li> </ul>
Disability and Income Security Programs Systems	<ul style="list-style-type: none"> <li>Develop systems used to administer TTW</li> </ul>
Operations Systems	<ul style="list-style-type: none"> <li>Develop tools/decision support software for PE workload processing</li> </ul>
Operations Disability and Income Security Programs Systems Communications	<ul style="list-style-type: none"> <li>Develop forms, automated notices, information requests, and informational materials sent to beneficiaries, representative payees, and employers</li> </ul>
Disability and Income Security Programs Policy Operations General Council	<ul style="list-style-type: none"> <li>Develop program policies, definitions, and procedures related to PE issues and ensure accurate and comprehensible description of such in POMS</li> </ul>
Operations Disability and Income Security Programs Finance, Assessment and Management Policy	<ul style="list-style-type: none"> <li>Identify issues with PE policies and procedures, and investigate and implement solutions</li> </ul>
Disability and Income Security Programs Policy Systems	<ul style="list-style-type: none"> <li>Develop and negotiate data use agreements with external entities</li> </ul>
Human Resources Operations	<ul style="list-style-type: none"> <li>Develop and implement staff training curricula</li> </ul>
Finance, Assessment and Management Operations Disability and Income Security Programs Human Resources	<ul style="list-style-type: none"> <li>Develop performance standards and quality assurance procedures</li> </ul>
Finance, Assessment and Management Operations Systems	<ul style="list-style-type: none"> <li>Develop workload measures and conduct workload measurement and monitoring</li> </ul>
Inspector General	<ul style="list-style-type: none"> <li>Monitor extent of program overpayments</li> <li>Develop policies and procedures associated with fraud prevention</li> </ul>

\* Based on the information collected and reviewed for this paper, and on the author’s assumptions regarding the roles and responsibilities of specific components. It is beyond the scope of this paper to investigate and describe all of the components within SSA conducting PE-related functions. Inaccuracies and omissions are probable.