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GENERAL STATEMENT

The Social Security Disability Insurance (DI) program provides crucial financial support for individuals who are no longer able to support themselves through work due to a disability. The DI program provided benefits to almost 11 million Americans with expenditures of over \$140 billion in 2013. Given the large number of individuals who ultimately turn to DI for income security and the costs of the program, it is critical for policymakers to have an evidence base from which to consider potential program innovations that would improve the ability of individuals with disabilities to succeed in the workforce.

**Early Intervention Demonstrations Budget Authority and Outlays
(in thousands)**

	FY 2015 Estimate
Appropriation	\$400,000
Obligations	\$25,000
Outlays	\$22,000

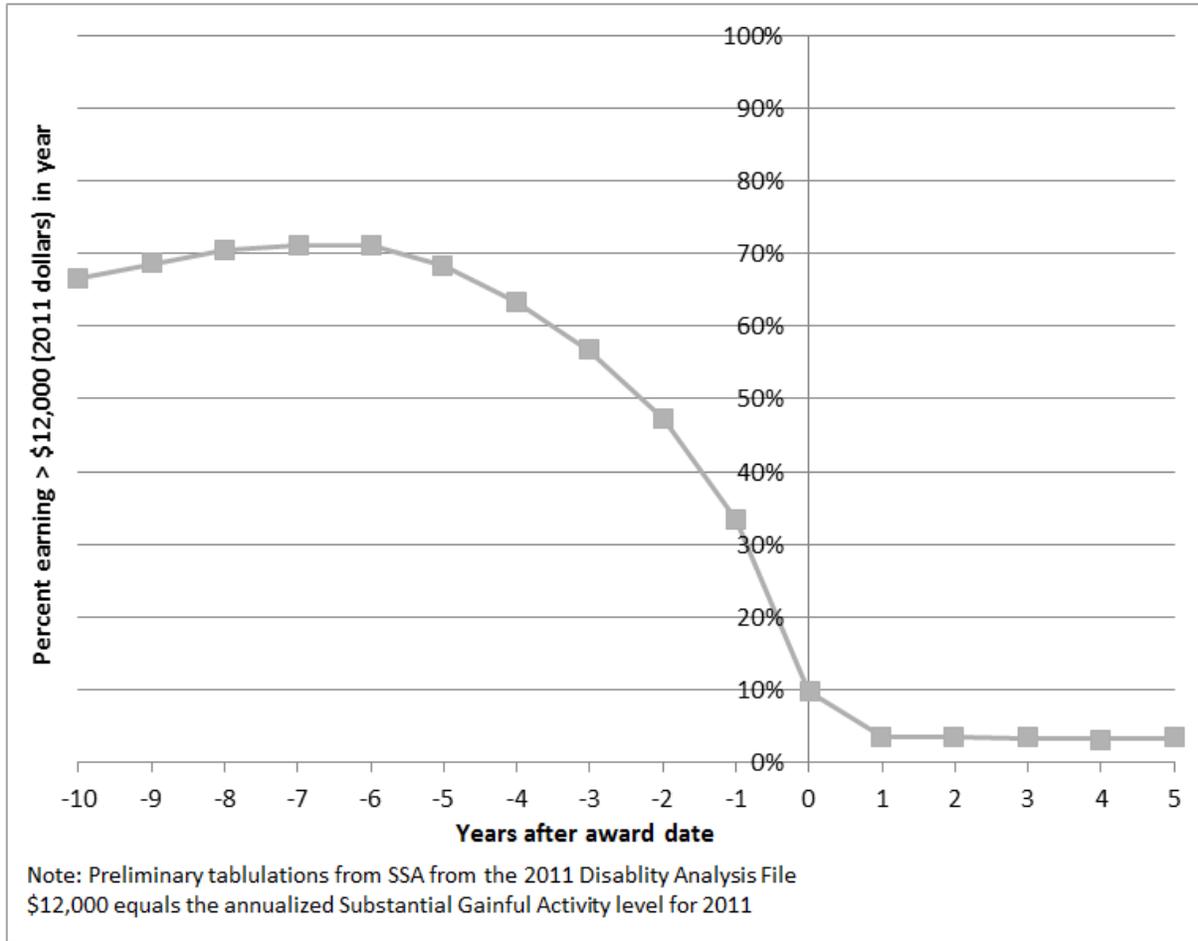
Because the SSA has already tested various initiatives that support DI beneficiaries, a partial evidence base for policy innovation exists with respect to individuals already on the DI rolls. The Accelerated Benefits demonstration found that providing of health benefits to uninsured DI beneficiaries in the 24-month Medicare waiting period sharply improved their self-reported health status, and providing employment services increased work and earnings. The Mental Health Treatment Study (MHTS) demonstration found that employment supports, along with medical support and coordinated care, were successful in improving health, lowering hospitalizations, and increasing employment for DI beneficiaries with schizophrenia and other affective disorders. Other initiatives, such as the Youth Transition Demonstration, have found that services can increase employment and earnings for younger beneficiaries. Most recently, SSA launched the Benefit Offset National Demonstration in 2011, which will inform policymakers as to whether financial incentives increase return to work efforts by DI recipients.¹

SSA’s demonstrations have shown interventions *after* the point of complete disability onset can yield positive outcomes for beneficiaries, but earlier interventions, before an individual seeks out DI benefits, may be more effective. While many demonstrations for existing DI beneficiaries have shown positive results, such as relatively increased earnings, they have not identified interventions that would return beneficiaries to substantial and sustained employment. Early interventions are likely warranted, in light of research indicating that health problems begin to materialize in advance of complete disability onset, and data showing that earnings begin to decline well before DI benefits are awarded (see figure below). Services or programs provided earlier in the disability process would prove cost-effective if they arrested sharp declines in health (leading to lower medical expenses) or prevented the loss of earnings capacity that can result from job separations or long periods out of the labor force (leading to fewer DI claims or

¹ For a detailed discussion of SSA’s demonstrations, findings, and publications from its demonstrations, please see *Social Security Administration June 2013 Annual Report on Section 234 Demonstration Projects* at <http://www.ssa.gov/disabilityresearch/demos.htm>.

other public expenditures). Practitioners have acted on this view, in some cases, by developing and structuring effective programs to help employers deal with health events of employees before they cause a separation from the workplace and an often irreversible path toward long-term cash benefit receipt.¹

Employment Before and After Award, 2006 SSDI Awards



A number of experts have noted that a first step in any effort to reform or improve programs for people with disabilities is to build a stronger evidence base on early interventions.² Despite this

¹ Two recent events – a forum by the Social Security Advisory Board (SSAB) and a hearing by the Ways and Means Social Security Subcommittee in the House of Representatives – have highlighted research and programs focused on early intervention. Presentations at the SSAB forum on pre-disability-onset earnings and health problems can be found at <http://www.ssab.gov/FORUM2013.aspx>. Witness statements before the Social Security Subcommittee, including those by Kevin Ufier of Genex Services on programs for employers to implement early intervention services, can be found at <http://docs.house.gov/Committee/Calendar/ByEvent.aspx?EventID=101015>.

² See Autor and Duggan, “Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System,” <http://www.brookings.edu/research/papers/2010/12/disability-insurance-autor>; Burkhauser and Daly, “The Declining Work and Welfare of People with Disabilities”, September 2011; Liebman and Smalligan, “An

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growing interest in early interventions, there has been a paucity of random assignment demonstrations or other strong evaluations in this area. One exception is the Demonstration to Maintain Independence and Employment (DMIE), which found that health and employment supports for working adults with potentially disabling conditions lowered the likelihood of receiving payments from SSA's disability programs.¹ However, a broader, more extensive research base would improve policymakers' ability to design programs and policies that improve outcomes for individuals and reduce program costs.

In order to produce an evidence base for potential program innovations, SSA requests \$400 million in mandatory funding for early intervention demonstration projects. These funds would not come from the Social Security Trust Fund, and instead would be separately appropriated and offset. The following pages highlight three examples of potential demonstration projects SSA could explore and implement with the requested funding, working in coordination with other Federal agencies. The projects focus on populations that may be at risk of ending up on disability benefits, and each seeks to prevent or delay the receipt of DI or Supplemental Security Income (SSI) benefits by providing services or incentives to maintain or strengthen attachment to the labor market. Each project would build upon existing evidence, use rigorous demonstration methods, and include an independent evaluation. The goal of these efforts is to enhance understanding of the potential of certain interventions and produce estimates of impacts (including increased labor market attachment and reductions in benefit receipt) and detailed cost-benefit analyses assessing gains to individuals as well as savings in public programs relative to the cost of the intervention services.

Example Demonstration 1: Early Intervention Services to Keep Prime Working-Age People with Disabilities in the Labor Market

In the description below we detail an early intervention for workers with mental illness under the age of 50 who are on a path toward receiving DI or SSI benefits. SSA is consulting with other agencies and outside experts to identify similar approaches for individuals with other types of disabilities or demographic groups.

A key challenge for early-interventions is to identify individuals at risk of becoming long-term DI and SSI recipients who would also have the potential to benefit from the intervention methods. The first demonstration would test focusing early-intervention methods on two groups: (1) individuals receiving services from a State Vocational Rehabilitation (VR) agency who are not DI or SSI disability beneficiaries; and (2) unemployed and underemployed² individuals who have recently applied for SSI or DI disability benefits and were denied.

Both of these groups include individuals who are on the margin between employment and receiving disability benefits. Prior research estimates that 40 percent of DI claimants denied at

Evidence-Based Path to Disability Insurance Reform,:

<http://www.brookings.edu/research/papers/2013/02/disability-insurance-reform>.

¹ See "Early interventions to prevent disability for workers with mental health conditions: Impacts from DMIE" at <http://www.sciencedirect.com/science/article/pii/S1936657413001179>.

² We would define these individuals as those earning below substantial gainful activity level (SGA).

the appeals level end up on the disability rolls within 10 years.¹ With the appropriate health care and employment supports, some of those individuals may remain in the labor market. People who seek VR services may hold an interest in employment despite a documented impairment. We would screen workers for both their likelihood of receiving SSA disability benefits and their likelihood of responding to employment supports.

The demonstration could provide participants with an intensive set of behavioral health and related services above and beyond what is available through the individual's existing health plan and long-term employment services, for example following the evidence-based Individual Placement and Support (IPS) model, to help them remain in or return to the labor market rather than seek SSA disability benefits.² IPS services are delivered by supported employment teams that operate within community mental health agencies and other medical providers, with a key differentiator from other interventions being the linkage between employment and medical services. We could follow an IPS service model similar to that successfully implemented for SSA's MHTS. The MHTS is one of several studies using the IPS model to show increases in employment rates for persons with severe mental impairments.³ The health-related treatment could include behavioral health and related services, medication, and disease management services. The employment-related services would include job placement, and pre- and post-placement support services. We would require service providers to have strong employer contacts and the ability to place participants in sustainable jobs with reasonable wages. Support services would include: help with incidentals necessary to secure and maintain employment (work clothes or transportation) and with navigating other available supports, such as systematic medication management and nurse-care coordinator services; and low-intensity, long-term services that would focus on employment retention once a job is secured (e.g., providing an employment retention coach). This demonstration could complement the state/community based approaches described under Demonstration #3 that focus on different populations.

The demonstration would include a 1-year design refinement phase and a 5-year implementation phase. Over that period, it would evaluate impacts on outcomes such as employment, earnings, health, and SSDI and SSI applications and benefit receipt.

Example Demonstration 2: Improving Employer Incentives through FICA Tax Credits to Support Retention of Workers who are Injured or Develop a Disability

The disability management literature suggests that when employers maintain a relationship with employees who are injured on the job and assist them in returning to work, the employers incur lower workers' compensation costs and the employees have better employment outcomes.⁴ SSA is consulting with other agencies and outside experts to identify other approaches to work with

¹ See French and Song, "Effect of Disability Receipt on Labor Supply," July 1, 2011, Federal Reserve of Chicago.

² The behavioral health and related services would be in addition to base services already available, such as including greater intensity and frequency of services and reimbursement for medication co-pays.

³ See Mental Health Treatment Study Final Report at http://socialsecurity.gov/disabilityresearch/documents/MHTS_Final_Report_508.pdf

⁴ See Reville, McLaren and Seabury, "How Effective are Employer Return to Work Programs?", RAND, March 1, 2010; Johnson, Butler, Baldwin and Cote, "Disability Risk Management and Post Injury Employment of Workers with Back Pain", Risk Management and Insurance Review, Vol 15, no. 1, 2012

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employers and private disability insurers to test other interventions for workers with disabilities with an attachment to an employer.

One possible demonstration in this area could provide employers with an added incentive to retain workers with lost-time workers' compensation injuries and illnesses when possible. Employers who retain workers after a lost-time work-related injury or illness would receive a tax credit based on the length of time the employer retains the worker after he or she return to work. The longer an individual remains out of work after disability onset, the lower his or her chances of returning to work, so the employer incentive would be larger for returning workers who were off the job for longer periods of time.

The demonstration would allow employers to take a tax credit equal to the FICA and Medicare taxes paid to returning workers for a period of time that would depend on the number of weeks the worker is off the job. These tax credits would be available according to the following incentive structure:

For any employee out of work for a lost-time workers' compensation illness or injury lasting more than:

- 4 weeks, employers receive a tax credit equal to all employer FICA and Medicare taxes paid for up to 6 months of employment once the employee returns to work
- 8 weeks, employers receive a tax credit equal to all employer FICA and Medicare taxes paid for up to 12 months of employment once the employee returns to work
- 12 weeks, employers receive a tax credit equal to all employer FICA and Medicare taxes paid for up to 24 months of employment once the employee returns to work

In each case, the months need not be consecutive, but employers must claim all tax credits within 36 months after the end of the demonstration. Each of these tax credits reduces employer costs by nearly 8% and is larger for longer periods of post-disability employment. The incentive is higher for higher paying jobs because it is a percent of wages paid, but automatically drops to just the Medicare percentage at the FICA cap.

There are no services provided to individuals under this demonstration. SSA will be responsible for notifying selected firms of their inclusion in the study, publicizing the demonstration, and explaining the incentive structure.

This demonstration is framed as working through the workers' compensation system, but we are also exploring how we might adopt a similar strategy to broaden the base of employers and employees covered by the demonstration. Two options are to work through the Temporary Disability Insurance (TDI) system that is currently available in five states, or possibly working with private disability insurance (PDI) providers. These systems would provide a validated means of identifying individuals with disabilities, broadly defined, who were recently employed and are at risk of moving out of the labor force and onto SSA disability benefits. Similar to working with the workers' compensation population, we could devise incentives to employers or insurance providers for the hiring and retention of these workers.

Key outcomes for this demonstration are an increase in the share of affected individuals maintaining employment with their original employer, an increase in the share maintaining employment at all, and a reduction in the share applying for and receiving DI/SSI benefits.

Example Demonstration 3: State/Local Community-based Programs to Return Young Workers with Disabilities to the Labor Market

Under this demonstration, SSA could partner with existing state programs to provide separate, wrap-around employment services for workers on a path toward SSA disability benefits. While similar in many respects to the first demonstration in terms of additional services provided, this demonstration would utilize a different approach for identifying individuals at risk of becoming long-term DI and SSI recipients who would also have the potential to benefit from an early-intervention. In addition, this demonstration would work in partnership with state programs that provide care for individuals with multiple chronic conditions, such as Health Homes, to create partnerships through which SSA would offer long-term employment services designed by states to help participants remain in the labor market. SSA is consulting with other agencies and outside experts to identify potential state and provider-based approaches, including vocational rehabilitation service providers.

Results from the DMIE evaluation show that early provision of health and employment services can reduce the likelihood of receiving disability benefits. Although we do not have data on the proportion of this group that will end up on SSA disability benefits in the future, we note that these kinds of chronic conditions are susceptible to slow deterioration over time, and eventual exit from the labor market, if not properly managed. Additionally, the presence of multiple health conditions may put these individuals at higher risk of seeking disability benefits and make them a good group to target for these services.

SSA could offer a separate stream of additional funds for employment services and channel these resources through vocational rehabilitation providers. The states could design employment services with a focus on long-term employment outcomes, and subject to spending limits set by SSA. Employment services could be restricted to individuals who are not currently receiving SSA disability benefits (SSI or DI). We would work with the states to randomize enrollees into a treatment group that is eligible for employment services and a control group that is not.

The employment-related services provided to this particular population would be similar to the services described in Demonstration #1, above. Supports would include help with incidentals necessary to secure and maintain employment (work-clothes or transportation), and navigating available supports, such as systematic medication management and nurse-care coordinator services. A key requirement of the employment services is that they include a long-term maintenance component to maximize job retention and continued participation in the labor market. We would expect the sites to partner with service providers who have employer contacts and the ability to place participants in sustainable jobs with reasonable wages.

SSA would evaluate the impact of the intervention on employment, earnings, and health outcomes, as well as DI/SSI applications and benefit receipt.