



FEBRUARY 2012 • NUMBER 12-03

How Many Disability Beneficiaries Forgo Cash Benefits Because of Work? Evidence from a New Measure*

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In recent years, the Social Security Administration (SSA) has placed a greater emphasis on increasing employment among people who receive federal disability benefits while also reducing their reliance on those benefits. SSA's efforts have led to a growing interest among policymakers in exactly how many disability beneficiaries forgo cash benefits because they are working and how long they are able to remain off cash benefits. In this brief, we summarize findings from a longer report by Stapleton et al. (2010a), who used a newly developed indicator to determine how many beneficiaries receiving Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) forgo cash benefits because of work.¹

Each year, SSA publishes information about work activity among beneficiaries. Those statistics tend to show relatively little beneficiary employment; indeed, only about one percent of beneficiaries each year have had their cash benefits suspended or terminated because of work.² However, the statistics do not paint a complete picture of the number who forgo cash benefits for work because they exclude beneficiaries who have worked for a long time and are therefore no longer formally connected to SSA programs.

To develop a better idea of how many beneficiaries work, SSA and Mathematica Policy Research developed an indicator for “nonpayment status following suspension or termination for work” (NSTW), based on a complex set of SSA administrative data.³ This indicator captures all months that beneficiaries have given up cash benefits specifically because of work (as opposed to other factors such as medical improvement), even if they have

not received benefits in years. Using the NSTW indicator, we produced statistics on the beneficiaries in each year from 2002 through 2006 who had at least one month without cash benefits because of work.⁴ We also determined the amount of time these individuals remained in NSTW.⁵

How Many Beneficiaries Forgo Cash Benefits for Work Each Year?

In 2006, about 70,000 beneficiaries (fewer than one percent) experienced their first month in NSTW.⁷ The share of DI beneficiaries experiencing their

Understanding NSTW for DI and SSI Beneficiaries

- DI cash benefits may be suspended after beneficiaries complete their trial work period (TWP), which occurs when they earn more than a certain amount (\$720 per month in 2011) for 9 consecutive or nonconsecutive months in a rolling 60-month period. After completing the TWP, beneficiaries enter the extended period of eligibility (EPE), in which cash benefits are suspended in any month that beneficiaries earn above the level of substantial gainful activity (SGA) (\$1,000 in 2011), beyond a 3-month grace period. After 36 consecutive months and the grace period, cash benefits are terminated in the first month when earnings exceed the SGA level; otherwise, benefits continue.
- SSI cash benefits decline by \$1 for every \$2 in monthly earnings above a small disregarded amount. Benefits are suspended if earnings are so high that the cash benefit falls to zero. Beneficiaries may remain in the suspended state indefinitely, allowing them to maintain Medicaid eligibility and return immediately to the rolls if their earnings fall. SSI cash benefits are terminated if earnings exceed the upper limit based on Section 1619(b).⁶

* This brief is based on a report prepared for SSA as part of the evaluation of the TTW program, under contract no. 0600-03-60130. All opinions expressed are those of the authors and do not necessarily reflect the views of SSA or Mathematica Policy Research.

first NSTW month was lower than the percentage of SSI beneficiaries who did so (0.7 versus 0.9 percent). In that same year, approximately 400,000 beneficiaries had one or more NSTW months (Figure 1).⁸ Given that not every beneficiary with an NSTW month gave up benefits for the entire year, about 275,000 beneficiaries were in NSTW in the average month.

These statistics show that considerably more beneficiaries are forgoing cash benefits because of work than those reported in SSA’s annual reports. SSA’s published statistics show that fewer than one in 100 beneficiaries in each program have their benefits suspended for work in a typical month. However, our statistics reveal that, during a typical month in 2006, about 2.5 beneficiaries were off cash benefits (with benefits either suspended or terminated) because of work for every 100 receiving a benefit payment.⁹ Our estimate is substan-

tially larger than the published statistics because we count beneficiaries whose benefits are currently suspended for work (those included in SSA’s statistics) as well as former beneficiaries whose benefits were terminated for work at any point since 2000 (provided that they were still alive, below full retirement age, and had not returned to receiving cash payments).

In the average month, fewer SSI beneficiaries than DI beneficiaries were in NSTW (Figure 1), which reflects the smaller number of beneficiaries in SSI as well as certain differences between SSI and DI program rules (see the text box on page 1). It also indicates that SSI beneficiaries are typically in NSTW for a shorter period than their DI counterparts; indeed, SSI beneficiaries make up about one-third of beneficiaries with at least one NSTW month during the year but account for only about one-fifth of NSTW months.

How Long Do Beneficiaries Forgo Cash Benefits for Work?

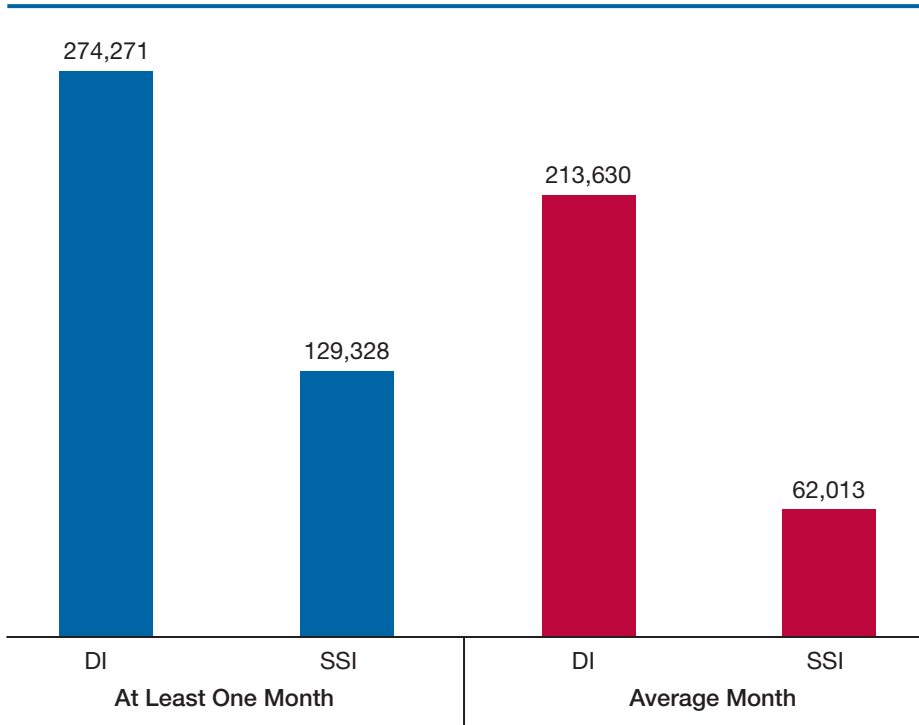
For most beneficiaries with at least one NSTW month in 2006, it was not their first time in NSTW. Indeed, many of those who forgo cash benefits because of work remain in that status for a long period. Among those observed for 48 months after their first NSTW month, we found that the average beneficiary went without cash benefits for 20 of those months. On average, DI beneficiaries spent more time in NSTW than did their SSI counterparts—about 24 versus 16 months.

How Long Do TTW Participants Forgo Cash Benefits for Work?

Introduced in 2002, SSA’s Ticket to Work (TTW) program is designed to help beneficiaries earn enough so that they can eventually leave the disability rolls. SSA gives each DI and SSI beneficiary a “Ticket” that may be exchanged for employment-related services. SSA then makes payments to the service provider based on the beneficiary’s earnings. Until a regulatory change in 2008, the participant had to forgo benefits for work for 60 months before the provider received full payment.¹⁰ Growth in the TTW program since 2002 has prompted considerable interest among policy-makers in the extent to which TTW participants versus other beneficiaries eventually forgo benefits for work.

By 2006, just under 2 percent of DI and SSI beneficiaries had ever participated in TTW.¹¹ By that time, however, TTW participants represented about 3 percent of beneficiaries with an NSTW month and accounted for about 3 percent of all NSTW months. This finding shows that TTW participants are more likely than nonparticipants to forgo cash benefits for work. We cannot conclude, however, that Ticket use leads to an increased number of NSTW months because we do not know how many months TTW participants might have been in NSTW in the absence of TTW. It might simply be that beneficiaries most likely to forgo

Figure 1.
Beneficiaries with at Least One NSTW Month and the Number of Beneficiaries in NSTW in the Average Month, 2006



Source: Stapleton et al. (2010a).
Note: The figure shows statistics for existing beneficiaries who had entered DI or SSI by January 2006, were in current pay status or NSTW for at least one month during the year, and were over age 18 but under full retirement age in January of that year. We calculated the NSTW statistic for the average month by dividing the total number of NSTW months in each year by 12.

cash benefits for work are also more likely to seek out TTW.

TTW participants are more likely than other beneficiaries to enter NSTW. In 2006, 3.4 percent of TTW participants had their first NSTW month versus 0.7 percent of nonparticipant beneficiaries. The NSTW indicator also allowed us to assess the incidence of NSTW after Ticket assignment for several years; by the 48th month after assignment, nearly 17 percent of TTW participants had had at least one NSTW month, compared to just under 7 percent after 12 months.

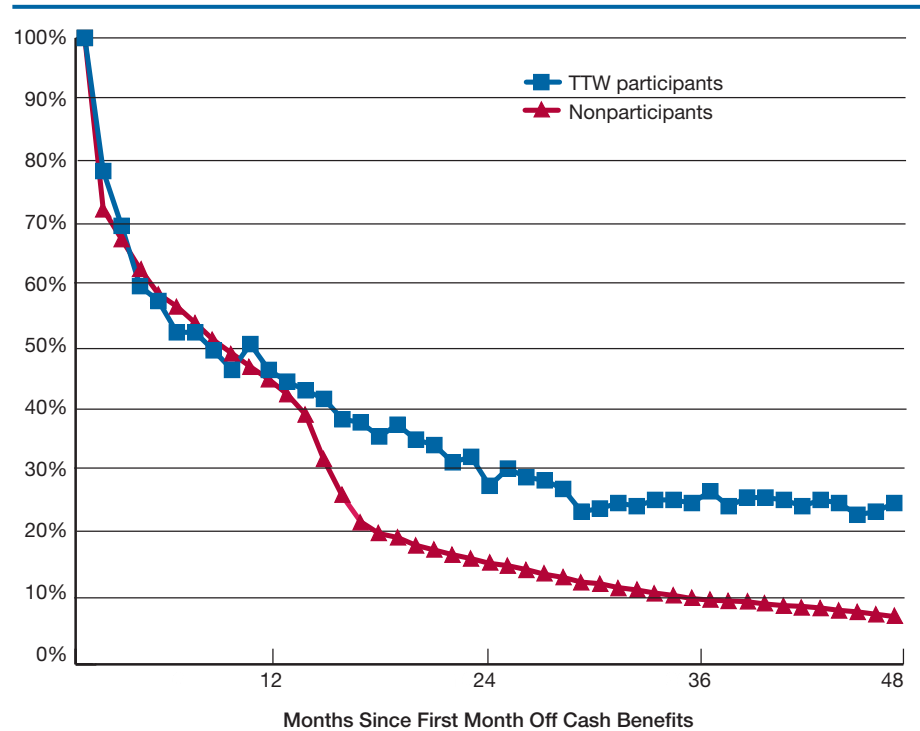
Once off cash benefits for work, TTW participants typically spend more months off than do nonparticipants (Figure 2).¹² In almost every month after their first NSTW month, TTW participants were as likely or more likely than nonparticipants to remain in NSTW. Four years after their first NSTW month, nearly 4 in 10 of these TTW participants were without benefits because of work, compared with fewer than 3 in 10 beneficiaries who entered NSTW without participating in TTW. The notable decline in NSTW among nonparticipants after the first 12 months largely reflects a decline among SSI-only beneficiaries. One possible explanation is that many SSI-only nonparticipants do not know that the SSI work incentives (see text box) allow them to retain Medicaid eligibility indefinitely and, should their earnings fall, to return immediately to cash benefits.

Discussion

From 2002 through 2006, the number of beneficiaries in NSTW in the average month grew by less than 4 percent while the size of the beneficiary population increased by nearly 14 percent.¹³ Several factors likely explain the difference. First, substantial evidence indicates that the 2000–2001 recession and the 2001 increase in the TWP income amount (see text box) meant fewer months off cash benefits because of work for DI beneficiaries who received their awards around this time (from 2000 through 2003) (Stapleton et al. 2010b).¹⁴

Figure 2.

Percentage of TTW Participants and Nonparticipants Forgoing Cash Benefits for Work After Their First Month in NSTW



Source: Stapleton et al. (2010a).

Notes: The figure shows beneficiaries who (1) were in current pay status throughout 2001, (2) were alive and 18 to 64 years old in January 2002, and (3) had at least one month during 2002 either in current pay status or with cash benefits suspended for work. “First month off cash benefits” is defined as the first month of NSTW in 2002. TTW participants include those who most recently assigned their Ticket in 2002. Non-participants include those who never assigned a Ticket or assigned their Ticket after 2002.

Second, the overall number of beneficiaries has been growing because most baby boomers are now in their 50s and early 60s—the age at which workers are most likely to exit the labor force and begin receiving DI benefits but least likely to give up those benefits for work (Stapleton et al. 2010b). Finally, a more subtle reason is that rapid growth in the number of beneficiaries after 2002 did not translate into immediate growth in the number off cash benefits for work. Indeed, it takes time for new beneficiaries to return to work, use SSA work incentives such as the TWP, and have their benefits suspended for work.

The NSTW indicator not only sheds light on overall trends such as those discussed above but also allows researchers to assess work activity among certain subgroups, such as TTW participants. Because TTW participants are by definition interested in work,

it is not surprising that they make up a disproportionately large share of all NSTW months by 2006. At least some participants probably would have spent some of those months in NSTW even in the absence of TTW; they might have obtained services from state vocational rehabilitation agencies under the traditional payment system, or they might have left the rolls without any such assistance.

It will be interesting to see how these statistics change as a result of the TTW regulatory changes of July 2008. The changes were designed to increase participation in TTW among both providers and beneficiaries. Unfortunately, they coincided with the onset of the worst economic contraction since the Great Depression, making it challenging to disentangle the effects of the new regulations from the effects of the weak job market.

Endnotes

¹ Also see Schimmel and Stapleton (2011).

² O’Leary et al. (2011) review SSA’s published statistics.

³ The NSTW indicator was initially called the “left due to work” indicator, or LDW, in Stapleton et al. (2010a) and in some other TTW reports. The indicator makes it possible, for the first time, to track the program status of beneficiaries who forgo cash benefits specifically because they are working. NSTW is available for all DI and SSI beneficiaries from age 18 to full retirement age in SSA’s Ticket Research File (TRF). The statistics presented here are based on analyses of data from the 2007 TRF.

⁴ In this brief, we highlight findings for selected annual cohorts. Results were similar in each year from 2002 through 2006; Stapleton et al. (2010b) provide the complete set of findings.

⁵ We do not capture average duration across beneficiaries. Rather, we identify the proportion of possible months that beneficiaries remained off the rolls once they exited for work.

⁶ In constructing the NSTW indicator, we also counted someone as having NSTW status if his or her SSI benefits were initially suspended for work and then terminated before age 65 or death for a reason other than work, such as failure to report income or excess resources.

⁷ “First NSTW month” is defined as the first month in which NSTW indicated that benefits were suspended or terminated for work following a full calendar year in which a beneficiary received cash benefits in all 12 months.

⁸ The subpopulation analyzed for this statistic included only existing beneficiaries in a given year who started benefits in an earlier year and were age 18 and older but under full retirement age at the start of the year. Those who first received benefits in a given year were excluded from the analyses in that year but included in the analyses for subsequent years.

⁹ There were 10,362,419 DI and SSI beneficiaries age 18 to 64 who had current pay status in December 2006 (SSA 2009).

¹⁰ The 2008 regulatory changes reduced the number of months for providers to receive full payment for DI beneficiaries to 36. However, our analysis predates this change.

¹¹ For this analysis, we counted beneficiaries as TTW participants if they assigned their Ticket during the current year or any earlier year regardless of whether the Ticket remained assigned.

¹² Statistics that pertain to 48 months after assignment correspond to participants who assigned their Tickets in 2002; fewer years of data were available for more recent cohorts but displayed a similar pattern.

¹³ There were 9,106,014 DI or SSI beneficiaries age 18 to 64 in December 2002 compared to 10,362,419 in December 2006 (SSA 2009).

¹⁴ The 1999 increase in the nonblind SGA level, from \$500 to \$700, also reduced the number of months in which DI beneficiaries had their benefits suspended or terminated because of work (Schimmel et al. 2011), though the change predated the analysis period in this brief.

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