

**Can the Ticket to Work Program  
Be Self-Financing?**

Final Report

April 3, 2012

Craig Thornton



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## ACKNOWLEDGMENTS

Alison Roche provided invaluable support to the development of this report and the analysis upon which it was constructed. Her contributions include programming the spreadsheets used to compute the estimated savings per beneficiary exit and tracking down details about many of the underlying costs and program features. Robert Weathers conducted the early interviews with Social Security Administration (SSA) staff about the costs of the Ticket to Work program (TTW). David Stapleton reviewed an early draft of this report and provided very useful advice, particularly about how to interpret the findings in light of his research into the beneficiaries who leave cash benefits due to work. Gina Livermore, who directs the overall Ticket to Work evaluation, also reviewed the draft and helped interpret the findings.

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I greatly appreciate the many contributions each one made to this report, and I remain wholly responsible for any errors or omissions.

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## ACRONYMS

AWIC	Area Work Incentives Coordinator
CESSI	Cherry Engineering Support Systems, Inc.
CDR	Continuing Disability Review
CWOSS	Comprehensive Work Opportunities Support System
DDS	Disability Determination Service
DI	Disability Insurance (under Title II of the Social Security Act)
EN	Employment Network
EPE	Extended Period of Eligibility
OESP	Office of Employment Support Programs
OMB	Office of Management and Budget
OSM	Operations Support Manager
PABSS	Protection and Advocacy for Beneficiaries of Social Security Program
PMRO	Program Manager for Recruitment and Outreach
RTC	Regional Ticket Coordinator
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income (Title XVI of the Social Security Act)
SVRA	State Vocational Rehabilitation Agency
TETD	Transitional Employment Training Demonstration
TPDOCM	Ticket Program Data Operations Center Management
TTW	Ticket to Work and Self Sufficiency Program
TWP	Trial Work Period
WIL	Work Incentive Liaison
WIPA	Work Incentives Planning and Assistance
WISE	Work Incentive Seminar Events

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## ABSTRACT

The Ticket to Work program (TTW) represents a new approach to an old problem: although many Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) beneficiaries work at some time after getting benefits, very few earn enough to be judged capable of substantial gainful activity, the key determinant of whether they are disabled and entitled to continued benefits (Schimmel and Stapleton 2011). The Ticket to Work and Work Incentives Improvement Act of 1999 (Ticket Act) sought to improve this situation by adding several new components to the Social Security Administration (SSA) ongoing effort to support beneficiary work.

Before TTW, SSA sought to promote beneficiary employment through a \$111 million a year program that reimbursed state vocational rehabilitation agencies (SVRAs) for assisting beneficiaries who obtained meaningful employment. The Ticket Act maintained the traditional SVRA payment system and introduced a substantially new approach to supporting beneficiary work efforts. The new approach established payment mechanisms designed to induce employment-service providers (termed employment networks, or ENs) to increase the supply and range of services. The Ticket Act also tried to increase beneficiary demand for employment-support services by modifying program rules to encourage work and providing beneficiaries with more information to help them understand and navigate complex program rules. In this way, TTW relied on the creativity and knowledge of many service providers and beneficiaries to find the best mix of services to help beneficiaries find jobs and earn their way off the rolls and toward economic self-sufficiency.

These new elements were initiated with great expectations. During the congressional debate, there was discussion that TTW would double the annual number of beneficiaries who would earn enough to have their cash benefits terminated. Support for the program was sufficiently strong that it was implemented across the country with neither a pilot phase nor strong evidence of whether this approach could increase beneficiary work efforts. Reflecting this optimism, the Congressional Budget Office (CBO) (1999) forecasted that 7 percent of beneficiaries would assign their Tickets to one of the new ENs.

In the context of these expectations, the experience with the new TTW features has been disappointing. Although participation in TTW has increased steadily over time, only 1.6 percent of beneficiaries had assigned Tickets to any provider five years after the program was rolled out and fewer than 0.2 percent had assigned a Ticket to one of the new ENs (Livermore and Stapleton 2010). Furthermore, the total number of beneficiaries who experience their first month off the rolls because they were employed was relatively constant during the program's first five years (2002–2006), although there was year-to-year variation (Schimmel and Stapleton 2011).

The congressional expectation that TTW would double beneficiary exits from cash benefits was probably unrealistic from the beginning. Beneficiaries receive DI or SSI benefits only after SSA makes a careful determination that they are unable to engage in substantial gainful activity because of a medical condition expected to last a year or longer. If TTW had encouraged large numbers of beneficiaries to move off the rolls, it would therefore have called into question the application of these eligibility criteria. Furthermore, SSA has numerous administrative procedures and supports to ensure that benefits are not inappropriately terminated. As a result, benefit terminations lag substantially behind employment results. For example, a DI beneficiary could work for more than a year before exhausting the trial work period and other incentives, ultimately having cash benefits suspended because he or she is working. Finally, the program's success has been inhibited by the

recession and the generally poor economic conditions that have prevailed since its implementation. These conditions make it even more difficult for beneficiaries to secure meaningful employment and may also discourage some beneficiaries from even looking for a job.

### What Would It Take for TTW to Be Self-Financing?

Congress expressed the hope that TTW would assist enough beneficiaries to leave the rolls that the corresponding savings from reduced benefit payments would offset program costs. This expectation was reinforced by the fact that SSA does not incur any direct costs for training beneficiaries or placing and supporting them in jobs, as these are incurred by ENs. Instead, TTW pays ENs only when beneficiaries they enroll reach specified earnings targets or leave cash benefits.

According to the CBO (1999) forecast, TTW could be self-financing if the mix of participants who leave cash benefits through help from ENs included those who otherwise would not have exited cash benefits or would have done so under the traditional SVRA program. That is, the mix would have to contain relatively few beneficiaries who, in the absence of TTW, would have gone to work and left cash benefits without SSA-financed assistance.

By design, every additional TTW participant who is *newly induced* to exit cash benefits (that is, would not have done so in the absence of TTW) generates savings to SSA. Thus, the reduction in payments to these beneficiaries exceeds the payments TTW makes to ENs that accepted Tickets. In contrast, the situation is mixed for TTW participants who would have exited cash benefits in the absence of TTW. Some participants would have used SVRAs in the absence of TTW. On average, TTW pays less for an exit than does the traditional program that reimburses SVRAs. So, these participants would create savings by exiting after using an EN rather than exiting after using services under the traditional program. In contrast, participants who would have exited cash benefits without any SSA-financed assistance will generate costs to SSA. In their case, TTW does not reduce benefit payments (because these participants would have exited even in its absence), yet it would pay ENs for months when these beneficiaries are not receiving benefits.

To be self-financing, the savings generated from reduced payments to beneficiaries must exceed both operational costs and TTW payments made to ENs for beneficiaries who, in that absence of the program, would have exited without any financial assistance from SSA. In fiscal year 2009, operational costs were approximately \$32 million and payment costs to ENs were approximately \$14 million. The analysis presented in this paper suggests that it would take a net annual increase in beneficiary exits from cash benefits of only 2,000 to 3,000 for TTW to cover those costs and be self-financing, so long as the program did not make payments to ENs for many beneficiaries who would have left cash benefits even without TTW. This is consistent with the CBO projections and far less than the doubling of exits mentioned in the TTW authorizing legislation, or more than 70,000 new exits each year.

The relatively small number of new exits needed for TTW to cover its costs points to a serious challenge facing the TTW evaluation—it is difficult to detect such small changes and attribute them to the program with a reasonable degree of certainty. For example, from 2002 (the first year of TTW) through 2006, the number of beneficiaries who had an initial exit from cash benefits rose and fell, ranging from 70,000 to over 79,000 (Schimmel and Stapleton 2011). The overall pattern does not suggest a rising trend in exits, but also does not indicate whether exits would have trended downward during the recession without TTW in place. Thus, the annual variation could have

masked an annual increase of 2,000 to 3,000 exits, which could have made the program self-financing.

The evaluation made a substantial effort to detect the net effect of TTW on beneficiary employment and benefits, but it was unable to distinguish any effects from the underlying variation in beneficiary outcomes. TTW may have produced some effects, but if so, they were too small to be measured accurately. As a result, the assessment of whether TTW is self-financing is based on (1) a calculation of how big effects would have to be for savings to exceed costs and (2) a review of the evidence compiled to date to assess how likely it is that the program generated effects of that size.

To illustrate what it would take for TTW to be self-financing, consider the 2,679 participant exits that occurred in 2006 (Liu and Stapleton 2011), the most recent year for which comprehensive estimates of exits from cash benefits were available for this report. If 80 percent of them are new exits, 13 percent transfers from SVRAs, and only 7 percent beneficiaries who would have exited without SSA-financed assistance, then it is likely that TTW would be self-financing. However, if the fraction of exiting participants who would have otherwise exited without SSA-financed assistance increases much beyond that level, it becomes much less likely that the program will pay for itself. This scenario highlights the need for SSA to target TTW carefully and avoid drawing in beneficiaries who do not need an EN assistance to leave the rolls.

### **Current Likelihood of TTW Being Self-Financing**

At this point, it seems likely that the annual cost of the new payment systems introduced by TTW is no more than the \$46 million spent for operations and payments to ENs—and is probably less. Costs would equal this full amount if all exiting participants would have left cash benefits even without TTW. But that assumption seems overly extreme. To the extent that TTW induces any new exits, there would be offsetting savings and the net costs to SSA would be lower.

Some evidence from the impact analysis suggests that TTW may have increased the number of new exits. Using data from the first two years of the program, Stapleton et al. (2008) reported that at least 3,100 beneficiaries who enrolled with ENs (and an additional 32,000 who enrolled with SVRAs) would not have done so in the absence of TTW. That impact on service enrollment is encouraging because it is a precursor to an impact on employment and benefit receipt. In fact, if all those enrollees went on to get jobs and leave cash benefits, TTW would be self-financing. But such a situation is highly unlikely because many of these enrollees will probably continue to receive cash benefits. Others who do go on to exit cash benefits may do so even in the absence of TTW and assign their Tickets merely to obtain extra assistance. Therefore, although the impact on enrollment in services is encouraging, it is only a first step in the right direction, and the uncertainty over impacts on employment and benefit receipt remains.

Growth in TTW would seem a natural objective moving forward because it appears that operational costs would increase relatively little as participation increased—at least up to a point. Thus, a modest, but carefully targeted, expansion of TTW participation and exits would make it more likely that the program would be self-financing. However, a poorly targeted expansion that attracted mostly beneficiaries who would have otherwise left cash benefits without SSA-financed assistance could increase the agency's costs beyond what could be saved by new exits. SSA must therefore be careful not to grow the program solely for the sake of growing.

When considering whether TTW is self-financing, it is essential to remember that Congress passed the Ticket Act because it wanted to give people with severe disabilities a better chance to participate fully in society, particularly through employment. As the legislation notes, “It is the policy of the United States to provide assistance to individuals with disabilities to lead productive work lives.” Furthermore, the legislation looked to give beneficiaries a choice of service providers that went beyond SVRAs. Although it was hoped that TTW would be self-financing, there were other important reasons to establish the program and deliver supports to beneficiaries who want to work. In the end, the ability of the program to offset even some of its costs may be enough to justify its continued operation and development.

This is the third in a series of reports that make up the sixth Ticket to Work evaluation report.



## **I. OVERVIEW OF BENEFITS REQUIRED TO OFFSET TICKET TO WORK PROGRAM COSTS**

As the Social Security Administration (SSA) and Congress consider the future of the Ticket to Work and Work Self-Sufficiency (TTW) program, they will be looking at the program's benefits and costs. A first cut at that comparison is to assess whether TTW generates savings that offset the costs of its operation. If the program is self-financing, there is a strong case for its continuation. If not, then the decision will have to focus on whether TTW generates important benefits to participants, their families, and society as a whole that justify any net program costs.

Analysis of the program's costs and how it may affect the behaviors of beneficiaries in the Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) programs suggests that it is plausible, but by no means certain, that TTW will generate savings that exceed its costs. The uncertainty surrounding this conclusion stems from the lack of robust evidence about the extent to which TTW increases the number of beneficiaries who earn enough to have their cash benefits stopped. Although a few thousand beneficiaries who have assigned Tickets to employment-support providers exit cash benefits each year, it remains unclear how many would have exited even in the absence of TTW. If all of the observed exits are newly induced by TTW, then the program is probably self-financing. But, if even a modest fraction would have exited even without the program, then TTW will have to generate larger net effects in order to be self-financing.

TTW's design features, which explicitly pay providers for helping beneficiaries earn enough to exit cash benefits, along with evaluation evidence that shows TTW increasing enrollment in employment-service programs, suggest that some of the observed exits may be newly induced. However, prior research into the effects of programs for disability beneficiaries and the lack of evidence of any direct effect on employment or benefit-receipt create concern that TTW is not yet self-financing. In either event, it seems clear that the program can be self-financing even if it falls well short of the doubling of exits envisioned in the Congressional discussion of the Ticket to Work and Work Incentives Improvement Act (Ticket Act). Specifically, it appears that it would take a net annual increase in beneficiary exits from cash benefits of only 2,000 to 3,000 for TTW to cover costs and be self-financing, so long as the program did not make payments to ENs for many beneficiaries who would have left cash benefits even without TTW. This is far less than the doubling of exits, which translates to more than 70,000 new exits each year.

TTW, together with other initiatives created by the Ticket Act, represents a new approach to an old problem: although many DI and SSI beneficiaries work at some time after getting benefits, very few work enough to leave the rolls (Schimmel and Stapleton 2011). Specifically, few earn enough to be judged capable of substantial gainful activity, the key determinant of whether they are disabled and entitled to continued benefits. For example, research on beneficiary cohorts shows that although 40 percent of new DI beneficiaries work at some point after receiving benefits, just 6 to 7 percent work enough to have their benefits suspended because of work, and between 3 and 4 percent have their benefits terminated for work (Stapleton et al. 2010a). In any given year, less than one percent of all DI beneficiaries on the rolls will earn enough to have their benefits suspended or terminated due to work (O'Leary, Livermore, and Stapleton 2011).

The Ticket Act sought to improve this situation by adding several new components to SSA's ongoing effort to support beneficiary work efforts. Before TTW, SSA sought to assist beneficiary work efforts through arrangements with state vocational rehabilitation agencies (SVRAs). From

1971–1981, working-age disability beneficiaries were referred to SVRAs and required to accept services offered. SSA reimbursed the states for the associated costs of those services, regardless of whether the services enabled a beneficiary to return to work successfully. From 1981–1996, only those SSI and DI beneficiaries deemed good candidates for rehabilitation—potentially capable of supporting themselves through work—were referred to SVRAs. SSA continued to reimburse SVRAs for the costs of services, but only for beneficiaries who returned to work at a level deemed to be substantial gainful activity for at least 9 months during a 12-month period. The Alternate Participant Program, added in 1996, was intended to give more options to beneficiaries, but for various reasons that initiative enrolled extremely few individuals.<sup>1</sup>

While maintaining the traditional SVRA payment system, the TTW introduced a substantially new approach to addressing the problem of encouraging beneficiary work efforts. TTW looked to the marketplace to increase the level and mix of support services to help beneficiaries successfully obtain and hold jobs. On the surface, this appeared to be an easy task because the ideas behind TTW are fairly simple (Berkowitz 2003). The basic approach was developed by a National Academy for Social Insurance panel that sought to encourage innovation and efficiency in the rehabilitation system by paying providers only when they enabled a beneficiary to earn his or her way off the rolls. The panel's entire concept was summarized in the following few sentences (Mashaw and Reno 1996):

Under the Panel's plan, disability beneficiaries would receive a return to work ticket, akin to a voucher, that they could use to shop among providers of rehabilitation or return-to-work services in either the public or private sector. Once a beneficiary deposits the ticket with a provider, the Social Security Administration would have an obligation to pay the provider after the beneficiary returned to work and left the benefit rolls. Providers whose clients successfully returned to work would, each year, receive in payment a fraction of the benefit savings that accrued to the Social Security Trust Funds because the former beneficiary is at work and not receiving benefits.

Thus, rather than setting up a single training program, TTW established payment mechanisms designed to induce employment-service providers to increase the supply and range of available services. These providers include SVRAs that traditionally served beneficiaries as well as other organizations, termed employment networks (ENs), that would be paid under a new incentive-based system. TTW also tried to increase beneficiary demand for employment support services by modifying program rules to encourage work and providing beneficiaries with more information to help them understand and navigate the complex program rules. In this way, TTW relied on the creativity and knowledge of many service providers and beneficiaries to find the right mix of services to help beneficiaries find jobs that allow them to earn their way off the rolls and toward economic self-sufficiency.

The TTW payment mechanisms mean that SSA does not incur any direct costs for training beneficiaries or placing and supporting them in jobs, as those costs are incurred by SVRAs or ENs. Instead, as the panel proposed, TTW pays SVRAs and ENs for each beneficiary they enroll who subsequently reaches specified earnings targets or leaves cash benefits.

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<sup>1</sup> The Alternative Participant program received claims for 26 beneficiaries between 1999 and 2001 (after which the program was phased out as part of the introduction of TTW). As a result, there is very little written about the program. Livermore et al. (2003) provide a brief history of the program as part of the TTW evaluation design.

More specifically, the traditional system reimburses an SVRA's costs, up to a limit, if a beneficiary's earnings reach at least the substantial gainful activity (SGA) level for 9 months in a 12-month period (in 2010 and 2011, the amount was \$1,000 per month for most beneficiaries).<sup>2</sup> In contrast, both of the new TTW payment options try to give providers a stronger performance incentive insofar as they require beneficiaries to earn enough that they no longer receive cash benefits for up to 60 months before the provider receives full payment. The first option, the outcome-only system, provides higher payments, but only when the desired outcome is achieved and the beneficiary exits cash benefits because of work.<sup>3</sup> The other new option, the milestone-outcome system, provides smaller outcome payments, but also provides payments while a beneficiary is still receiving benefits if that individual achieves specified earnings targets or milestones. Exhibit 5 in Chapter II provides more details about the new payment systems.

Beyond payments to providers, SSA also pays to enhance the market for employment support services by supporting general outreach to beneficiaries, mailing Tickets to eligible beneficiaries, responding to beneficiary and provider questions, recruiting and registering qualified providers, and gathering and processing information to support payment requests. In addition, SSA is responsible for revising TTW as more is learned about its operation and effects. For example, SSA funded an eight-year evaluation of TTW to collect information about program performance and has continually used the authority granted by the Ticket Act to modify the program so it can achieve its goals more effectively.

The Ticket Act also addressed some of the SSI and DI program features that may discourage work efforts. First, while beneficiaries are using their Ticket, they are not subject to medical continuing disability reviews (CDRs), which are recurring checks to determine whether they remain medically unable to work. Second, for long-term DI beneficiaries, starting to work will no longer trigger a CDR (even for those not participating in TTW). Third, an expedited reinstatement policy gives beneficiaries a five-year period after they leave the disability rolls for employment, during which time their benefits will be reinstated (without a new application) if they become unable to work because of their disability. Fourth, Medicare coverage for DI beneficiaries who return to work was extended substantially, from 39 months under earlier rules to 93 months, and when that period ends, beneficiaries will be able to purchase Medicare coverage. Finally, the Ticket Act made it easier for states to establish programs that allow persons with disabilities to purchase Medicaid coverage on a sliding-fee basis; at present, 42 states have these Medicaid Buy-In programs (Centers for Medicare and Medicaid Services 2010). At the same time, however, the Ticket Act did not change the way that earnings affect benefits, which means that some substantial disincentives for beneficiaries to work remain.

## **A. Changes in Possible Exit Avenues Introduced by TTW**

To see how the various changes introduced by TTW affected beneficiary exits from cash benefits, it is best to start with the situation that existed before TTW. The program targets virtually all working-age DI and SSI beneficiaries, who are represented by the full area enclosed by the

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<sup>2</sup> The SGA level for beneficiaries disabled because of blindness is set higher at \$1,640 per month.

<sup>3</sup> Throughout this report, the term "exit cash benefits" is used to mean that a beneficiary has their cash benefits suspended or terminated due to work. They may remain on the rolls in a suspended status or in a period of extended eligibility and may also retain non-cash benefits such as Medicare eligibility.

boundary box in Exhibit 1.<sup>4</sup> Before the changes introduced by TTW, there were essentially two avenues by which beneficiaries could exit cash benefits due to work—with the assistance of an SVRA or without any SSA-financed assistance. These two groups of exiting beneficiaries are illustrated by the two smaller boxes in Exhibit 1, and the arrows indicate that they exit the cash benefit-receiving population.

**Exhibit 1. Beneficiary Exit Avenues Before TTW**



The boxes in Exhibit 1 are drawn to illustrate relationships between these key groups but are not drawn to scale since only a small percentage of working-age beneficiaries exit cash benefits in a given year. For example, in 2002 (the year TTW operations started) there were approximately 10 million working-age beneficiaries (SSA 2003), and just over 72,000 of them exited cash benefits for the first time that year (Schimmel and Stapleton 2011). The vast majority of those beneficiaries exited cash benefits without SSA-financed assistance.<sup>5</sup> In that year, SVRAs were reimbursed for assisting 10,527 beneficiaries of whom a presumably large but unreported fraction actually exited cash benefits (SSA 2010a). As noted, SSA reimburses SVRAs not for an exit from cash benefits but for helping a beneficiary engage in substantial gainful activity for at least 9 months during a 12-month period. The analysis in this report focuses just on those beneficiaries who exit cash benefits.

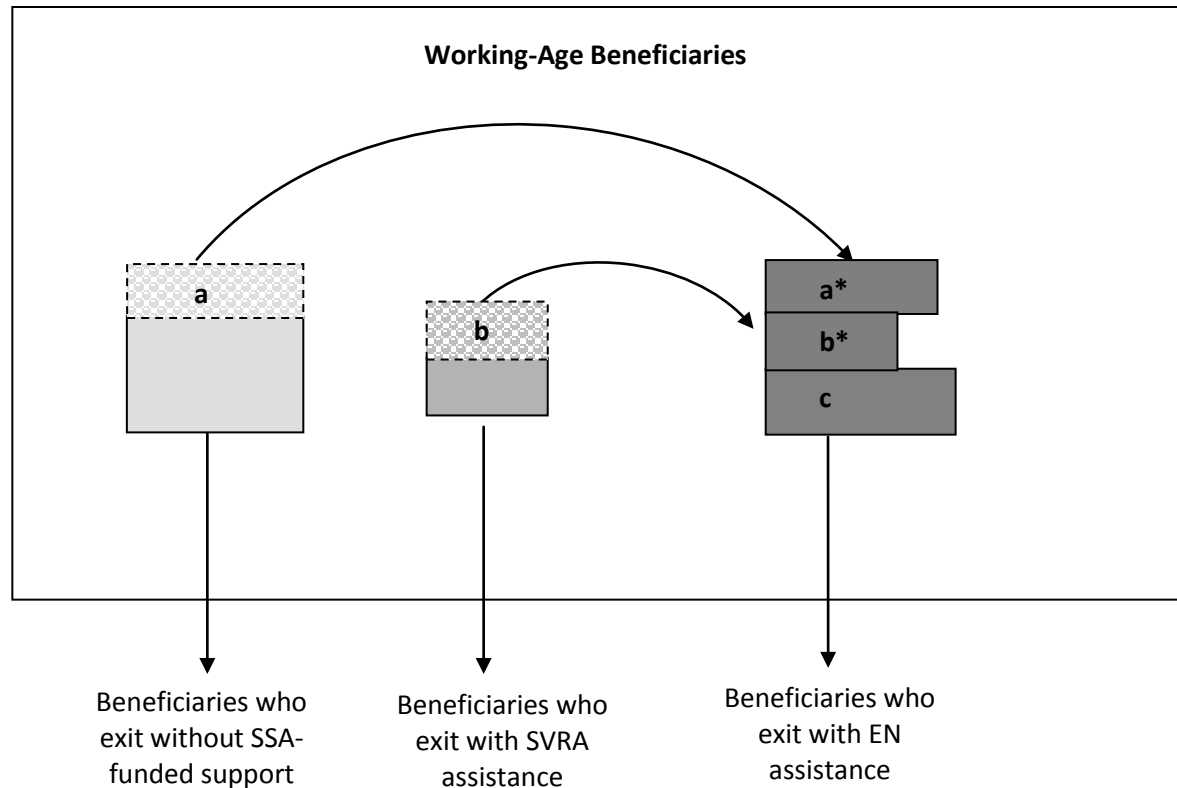
<sup>4</sup> Two small beneficiary groups, accounting for approximately six percent of all beneficiaries, were initially excluded from TTW: (1) SSI beneficiaries who had been entitled to benefits under childhood regulations, had recently turned 18, but had not undergone the process to determine whether they meet adult criteria, and (2) SSI and DI beneficiaries for whom medical improvement was expected at the time of benefit award but who had not passed at least one medical CDR. In 2008, the eligibility criteria were changed to include this second group. Young adults waiting for the age 18 redetermination remain excluded.

<sup>5</sup> This discussion ignores the 271 TTW participants who exited cash benefits for the first time in 2002, the first year of operations.

TTW introduced a new avenue by which beneficiaries could exit cash benefits given that they now had a choice of receiving assistance from ENs (Exhibit 2). Importantly, this new avenue is available to virtually all beneficiaries, including those who would have exited without any SSA-financed assistance or after receiving assistance from an SVRA. As a result, TTW may induce new exits among working-age beneficiaries as well as induce some shifts in the avenues used by beneficiaries who would have exited regardless.<sup>6</sup> It is useful to note that the EN box includes all providers operating under the new milestone-outcome or outcome-only payment systems. A few SVRAs have chosen to operate as ENs and are therefore included with other ENs rather than other SVRAs operating under the traditional payment system.

TTW focuses on inducing beneficiaries who would not have exited to assign their Tickets to ENs and to then move off cash benefits due to work. In Exhibit 2, this group is represented by the box marked c. Given the design of TTW, this group generates savings to SSA.

**Exhibit 2. Beneficiary Exit Avenues Under the Original TTW Regulations**



<sup>6</sup> The exhibit ignores several shifts that, although possible, are not central to the policy questions addressed in this report. For example, the publicity and outreach SSA conducts about work incentives could induce more beneficiaries to exit cash benefits without any SSA-financed assistance. But that seems unlikely since ENs such as AAA Take Charge would require minimal additional effort by such beneficiaries but would give them 75 percent of any outcome payments generated by their exit. Similarly, it is possible that the introduction of TTW would draw new beneficiaries into the SVRA system. While that scenario is more plausible, this analysis excludes it because we focus only on the costs and savings generated by the new EN-oriented TTW options. Finally, the Ticket Act may have increased the overall level of beneficiary exits through the introduction of the Work Incentives Planning and Assistance (WIPA), Protection and Advocacy for Beneficiaries of Social Security (PABSS), and Medicaid Buy-In programs and the changes made to the extended period of eligibility (EPE) provisions. The analysis excludes these innovations, however, because decisions about whether to keep them will be made independently from TTW.

The new choices offered by ENs may lead some beneficiaries who would have exited without SSA-financed supports to seek service from an EN instead. As a result, the number of beneficiaries exiting without SSA-financed assistance would decline and the number exiting with EN assistance would increase by the same magnitude. This group is represented by the shaded part of the box representing all beneficiaries who exit without SSA-financed assistance (the part labeled **a**) moving to the set of boxes representing beneficiaries who exit with EN support (labeled **a\***). This shift in exit avenues will create costs for SSA because payments are now made for exits that previously would have occurred without any SSA payments.

TTW may also induce some beneficiaries who would have exited with SVRA assistance to now exit with the assistance of an EN (boxes **b** and **b\***). Because SSA pays both ENs and SVRAs for assisting beneficiaries to exit benefits through work, this shift will affect net savings to the extent that average payments to ENs are less than the average reimbursement to SVRAs. As will be discussed later in the report, it appears that average payments to ENs are slightly lower, so this shift will generate savings to SSA.

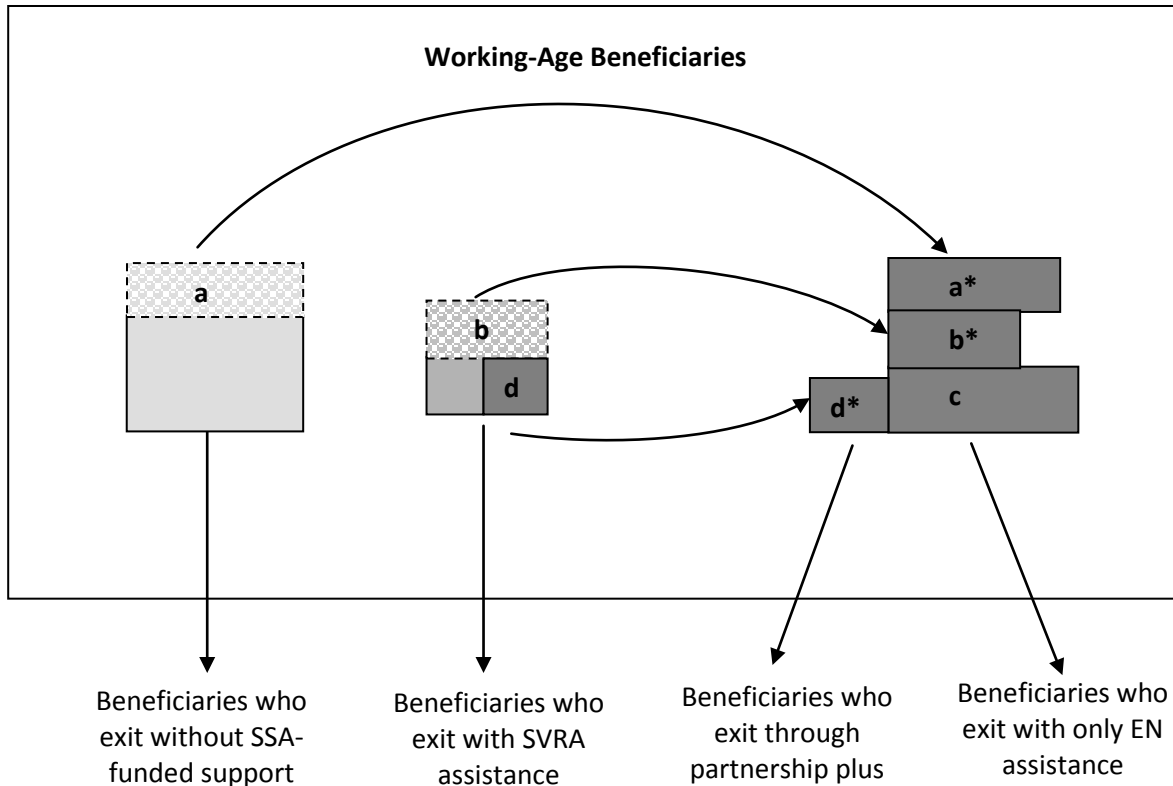
Therefore, the overall group of beneficiaries who exit with the assistance of an EN is made up of three smaller groups. There are the beneficiaries who TTW induces to exit and there are two other groups who would have exited anyway, either with the help of an SVRA or with no SSA-financed assistance. The challenge for this assessment is that only the size of the aggregate group of beneficiaries who exit is known. The relative size of the three component groups has not yet been estimated. This issue is further discussed in Chapter IV since a determination of whether TTW is self-financing will depend on the relative size, costs, and savings associated with those component groups. In particular, it will depend on whether the savings generated by induced new exits and by shifting exits from SVRAs to ENs (boxes **c** and **b\***) exceed the costs of operating the program plus the increased costs associated with payments to beneficiaries who would have exited without SSA-financed support (box **a\***).

The situation became more complex in mid-2008 when SSA implemented new regulations to let ENs partner with SVRAs (Exhibit 3). This new “partnership plus” arrangement gives beneficiaries a new choice where they can initially get services from an SVRA and then assign their Ticket to an EN to receive longer-term follow-up services. In this situation, SSA will reimburse an SVRA under the traditional payment system and will also make some milestone and outcome payments to an EN when they assist a beneficiary to exit and remain off of cash benefits. This new option could induce more beneficiaries to attempt work and ultimately exit cash benefits and could also change the mix of avenues beneficiaries use to exit. The partnership plus system, like the standard milestone-outcome and outcome-only systems, is designed to save SSA money given that payments are expected to be less than the savings from reduced benefit payments to beneficiaries who exit. Thus, the beneficiaries represented by box **d\*** are expected to generate savings in addition to those generated by beneficiaries represented by boxes **c** and **a\***.<sup>7</sup>

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<sup>7</sup> It is possible that partnership plus will induce some additional beneficiaries who would otherwise have remained on cash benefits to use SVRA and EN assistance and then exit benefits. That is, it could increase enrollment at SVRAs and exits from cash benefits. These newly exiting beneficiaries would clearly generate savings to SSA.

Exhibit 3. Beneficiary Exit Avenues Under the Revised TTW Regulations



## B. Costs and Savings Generated by the New TTW Components

This report draws on available evidence to assess whether the introduction of the new TTW payment systems (milestone-outcome, outcome-only, and partnership plus) is likely to generate enough savings to cover the costs. The analysis presented here focuses just on the new market-oriented aspects of the program, not on the traditional aspects of the program under which SSA pays SVRAs for assisting beneficiaries to engage successfully in substantial gainful activity. The SVRA component dates back to the early 1970s and seems likely to be continued regardless of what happens to the newer TTW payment options. Thus, this analysis addresses the question of whether to keep the new market-oriented components or to return to the SVRA-focused employment supports. More specifically, it assesses whether the benefit savings from the new components exceed the extra costs of adding them to the traditional system.

To address this question, this analysis focuses on the costs of the new activities required to operate elements of TTW that go beyond what SSA did prior to the introduction of TTW. Thus, it includes costs associated with the following new activities created as part of TTW:

- Recruiting, supporting, and paying ENs
- The milestone and outcome payments made to ENs, including those for beneficiaries who would have exited cash benefits in the absence of TTW
- Printing and mailing Tickets as well as recording and tracking Ticket assignments
- Responding to beneficiary questions about TTW

- Efforts to publicize TTW
- Ongoing oversight and management of TTW

Correspondingly, the analysis excludes the costs for activities that occurred prior to TTW and would presumably be retained if the new elements of TTW operations were to end. Principal among those activities is the operation of the traditional payment system SSA uses to reimburse SVRAs when they succeed in helping beneficiaries attain substantial gainful activity for 9 months during a 12-month period. These long-running activities were rolled into TTW but seem likely to continue even if the new parts of TTW were to be discontinued. Other activities that SSA would undertake regardless of whether TTW existed include:

- Ongoing operation of the DI and SSI programs, particularly the effort to operate the basic work incentives of those programs for beneficiaries who do not assign their Tickets.
- Basic information system upgrades that were initiated with the rollout of TTW. These include the Disability Control File and other work-tracking data systems and the large effort SSA made to catch up with pending post-entitlement work at the start of the TTW rollout.
- The Work Incentives Planning and Assistance (WIPA), Protection and Advocacy for Beneficiaries of Social Security (PABSS), Medicaid Buy-In, and Extended Period of Eligibility (EPE) programs. Although these programs and policies support TTW, they are independent of TTW and have broader roles. Therefore, decisions about their future are likely to be made independently of decisions about the new TTW payment options.

Moreover, the analysis focuses just on the ongoing costs of operating TTW under the current (post-July 2008) rules. It excludes TTW costs that occurred only during the rollout or that are unrelated to long-term TTW operations. The excluded costs include the following:

- One-time or start-up costs for TTW, including those for the initial rollout mailings, initial marketing events, and the Ticket to Work and Work Incentives Advisory Panel.
- The special costs incurred to relaunch TTW after the new payment rules were introduced in 2008.
- The TTW evaluation costs. While monitoring and assessment of all SSA operations is ongoing, the formal TTW evaluation goes well beyond what would be required for an established program.

Finally, the analysis does not include consideration of the TTW CDR waiver provisions. This element of TTW exempts beneficiaries who are actively working with an EN or SVRA from medical CDRs. It would therefore extend benefit receipt for those participants who would have otherwise been reviewed and found to be no longer disabled. The number of affected beneficiaries will depend on how many actively pursue work after assigning their Ticket and the probability of being selected for a CDR.

The waiver appears to be intended to generate savings to SSA by inducing more beneficiaries to attempt to work and subsequently exit cash benefits. It would also free up the administrative



resources required to conduct the CDRs. Nevertheless, it might also create costs for SSA because beneficiaries who would have been reviewed and subsequently had their benefits terminated can now continue to receive benefits if they participate in TTW.

CBO (1999) estimated that the CDR exemption would save SSA \$10 million a year in administrative costs while leading to costs of \$25 million a year in benefits paid to beneficiaries who otherwise would have been found to be ineligible.<sup>8</sup> However, this study was overly optimistic about TTW participation rates, assuming that 7 percent of beneficiaries would participate while, in fact, fewer than 2.5 percent do so (Altshuler et al. 2011). Proportionally reducing the CBO estimate in line with the difference in participation yields a net cost to SSA of \$4.7 million a year. Although not insignificant, that cost would not substantially alter the broad conclusions of the self-financing analysis.

But even that number may be too high because in recent years SSA has not had the resources required to conduct all the scheduled CDRs<sup>9</sup>, making the TTW waiver unlikely to affect the total number of CDRs conducted by the agency. As a result, the waiver for the beneficiaries in TTW has no net cost to SSA since the total number of CDRs would be unchanged, although the specific beneficiaries being reviewed would change. Even that change in mix seems unlikely to create a net cost for SSA. Although beneficiaries who assign Tickets are more interested in work than those who do not (Livermore and Stapleton 2010), most of the beneficiaries who exit cash benefits do so outside of TTW. That suggests that there are more than enough good CDR candidates for the available resources to be well-targeted even with the exemption given to TTW participants.

### C. TTW Has Potential to Be Self-Financing

As will be shown in this report, it proved to be quite difficult to answer the seemingly simple question: is TTW self-financing? The complexity stems from what can be seen as the bad and good news about TTW implementation. The bad news is that, although TTW may have an effect on beneficiary employment and benefit receipt, that effect is much smaller than initially envisioned, if it exists at all. In fact, if there is an effect it is currently so small that it is virtually undetectable within the overall variation in program outcomes. The good news is that it turns out that TTW could be self-financing, even if its effect on benefit receipt is very small. The effect could be less than five percent of the original target envisioned by Congress and still generate enough savings to cover program costs. As a result, the analysis of whether TTW is self-financing must rely on indirect evidence about a potentially very small impact rather than on the clear impact evidence that had been expected when the Ticket Act passed.

TTW was created with great expectations. During the congressional debate, there was discussion that TTW would double the annual number of beneficiaries who would earn enough to have their cash benefits terminated. Support for the program was sufficiently strong that it was implemented across the country with neither a pilot phase nor strong evidence of whether this

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<sup>8</sup> CBO also estimated \$10 in extra Medicare costs associated with beneficiaries who were able to remain on the rolls longer due to the CDR exemption.

<sup>9</sup> In testimony before the House Ways and Means Committee's Subcommittee on Social Security on November 19, 2009, SSA Commissioner Michael Astrue noted: "We have seen a rise in our full medical CDRs pending since FY 2002. I must caution that, even with the proposed increase in dedicated funding this year, we project the number of pending full medical CDRs will increase by over 100,000 cases to roughly 1.5 million" (SSA 2010b).

approach could increase beneficiary work effort and exits from cash benefits. Reflecting this optimism, the CBO (1999) forecasted that seven percent of beneficiaries would assign their Tickets to one of the new ENs.

Given current levels of participation in the DI and SSI programs, those expectations imply that more than 840,000 beneficiaries would have assigned Tickets and the number of beneficiaries exiting cash benefits due to work in a year would have doubled from the pre-TTW level of approximately 70,000. Effects of that magnitude would have been relatively easy to detect, even with the methods available for estimating TTW impacts.

In the context of those expectations, the experience with the new TTW features has been viewed as disappointing. Although the participation rate has increased steadily over time, only 1.6 percent of beneficiaries had assigned Tickets to any provider five years after the program was rolled out, and less than 0.2 percent had assigned a Ticket to one of the new ENs (Livermore and Stapleton 2010). Furthermore, the total number of beneficiaries who experienced their first month off the rolls because they were employed remained relatively constant during the program's first five years, although there was year-to-year variation (Schimmel and Stapleton 2011).

Expecting TTW to produce a 100 percent increase in beneficiary exits from cash benefits was probably unrealistic to begin with. Beneficiaries receive DI or SSI benefits only after SSA makes a careful determination that they are unable to engage in substantial gainful activity because of a medical condition expected to last a year or longer. If TTW had encouraged large numbers of beneficiaries to move off the rolls, it would have called into question the application of these eligibility criteria. Furthermore, SSA has numerous administrative procedures and supports to ensure that benefits are not inappropriately terminated. As a result, benefit terminations lag behind employment results. For example, a DI beneficiary could work for more than a year before exhausting the trial work period and other work support provisions that preserve benefits, and ultimately having cash benefits suspended because he or she is working. Finally, the early TTW experience has been inhibited by the recession and poor economic conditions that have prevailed since its implementation. These conditions make it even more difficult for beneficiaries to secure meaningful employment and may also discourage some beneficiaries from even looking for a job.

The broader TTW evaluation has made a substantial effort to detect the net effect of TTW on beneficiary employment and benefits, but was unable to distinguish any effects from the underlying variation in beneficiary outcomes (Stapleton et al. 2008). The evaluation can observe the total number of beneficiary exits, but not the extent to which those beneficiaries would have exited cash benefits in the absence of TTW. Estimating program effects is further complicated by high rates of unemployment since TTW rolled out, coupled with substantial changes to the TTW rules in July 2008, and the fact that work incentives and program rules mean that it can take years for TTW-induced increases in employment to affect benefit receipt. TTW may have produced some effects, but if so, they were too small to be measured accurately. Future estimation work may develop credible evidence about TTW effects, but for now the extent to which TTW actually changed the rate at which beneficiaries become employed or exit cash benefits is unknown.

As a result, this assessment of whether TTW is self-financing is based on a multi-part strategy that first calculates how big effects would have to be for savings to exceed costs and then reviews the evidence compiled to date to assess how likely it is that effects of that size actually were generated. The analysis starts with fairly accurate information about the costs SSA incurred in 2009 to operate TTW (Chapter II). It then looks at the potential net savings that accrue to SSA when a

beneficiary exits cash benefits (Chapter III). These net savings are estimated based on program rules combined with estimates of beneficiary behavior during the first few years of TTW. The resulting estimates are less accurate than the cost estimates, particularly when trying to project how long beneficiaries who exit cash benefits will remain off. The analysis addresses this and other uncertainties by examining how estimates of the net savings per exit change in response to changing the underlying assumptions and calculations. That sensitivity test suggests that, although estimated net savings do vary depending on specific assumptions, the general magnitude is relatively stable as are the overall conclusions drawn in this paper.

The analysis then uses the cost and savings-per-exit estimates to calculate the number of new beneficiary exits from cash benefits TTW would have to induce each year in order for SSA to break even (Chapter IV). That number is estimated in two components: (1) the number of additional exits required to offset the costs of running TTW and (2) the additional increase in beneficiary exits that would be required to offset the costs incurred because the program pays ENs for some beneficiary exits that would have occurred even in the absence of TTW.<sup>10</sup> Again, a range of alternative estimates is examined. That analysis finds that, although it is possible that TTW is self-financing, it is by no means certain.

However, it appears that TTW would be more likely to be self-financing if it could substantially increase the number of beneficiaries who successfully exit with EN assistance. The report concludes with a look at the available evidence about the likelihood that the program could generate the number of new exits required for the program to be self-financing (Chapter V).

In essence, the analysis presented here examines whether the beneficiaries who exit in a given year will generate enough savings to pay the annual costs for TTW. This approach assumes that the program is operating in a relatively steady state. That way, the future costs of making payments to ENs for the participants who exit in that year are represented by the costs incurred during that year to make payments for participants who exited in previous years. This assumption appears reasonable as long as TTW continues to operate near its current scale. But, if beneficiary exits doubled or tripled in the future, the new scale of operations would likely require more resources and, correspondingly, more savings from newly induced exits.

As forecast by CBO (CBO 1999), and confirmed by the analysis in this report, TTW can be self-financing if the mix of participants who leave cash benefits through help from ENs includes mostly those who would otherwise not have exited cash benefits or would have done so under the traditional SVRA program. The mix would contain relatively few beneficiaries who, in the absence of TTW, would have gone to work and left cash benefits without SSA-financed assistance.

By design, every TTW participant who is *newly assisted* to exit cash benefits (those who would not have done so in the absence of TTW) generates savings to SSA because the reduction in cash benefits to these beneficiaries exceeds the payments TTW makes to the ENs that accepted their Tickets. In contrast, the situation is mixed for TTW participants who would have exited cash benefits in the absence of TTW. Some of these participants would have used SVRAs in the absence of TTW. On average, TTW pays less for an exit than does the traditional program that reimburses

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<sup>10</sup> The analysis ignores increased costs SSA might incur because the publicity and outreach of TTW could induce an increase in use of SVRA services with a corresponding increase in SVRA reimbursements. Any such costs are judged to be part of the pre-TTW traditional program and hence would be expected to continue even if the milestone-outcome, outcome-only, and partnership plus systems were discontinued.

SVRAs. So, these participants would create savings by exiting after using an EN rather than exiting after using services under the traditional program. In contrast, participants who would have exited cash benefits without any SSA-financed assistance will generate costs to SSA. In their case, TTW does not reduce benefit payments (the participants would have exited even in its absence), yet it would pay ENs for months when these beneficiaries are not receiving benefits.

To be self-financing, the savings generated from reduced benefit payments to beneficiaries must exceed both the costs of operations and TTW payments made to ENs for beneficiaries who, in the absence of the program, would have exited without any financial assistance from SSA. In fiscal year 2009, operational costs were approximately \$32 million, and the costs for payments to ENs were approximately \$14 million, for a total annual cost of \$46 million. The analysis presented in this paper suggests that it would take a net annual increase in beneficiary exits from cash benefits of only 2,000 to 3,000 for TTW to cover those costs and be self-financing, so long as the program did not make payments to ENs for many beneficiaries who would have left cash benefits even without TTW. This is far less than the doubling of exits mentioned in the TTW authorizing legislation, which would have meant over 70,000 new exits each year.

Two factors drive this finding. First, SSA requires relatively few resources to operate TTW. Although \$46 million a year is not trivial, it represents less than one-half of one percent of SSA's annual operations budget and a small fraction of total national vocational rehabilitation expenditures.<sup>11</sup> Second, each beneficiary who is newly induced to leave cash benefits generates substantial net savings even after accounting for the milestone and outcome payments TTW made to providers. The specific savings depend on the initial benefit level, the extent to which the individuals return to cash benefits, and the size of the payments SSA makes to the ENs for helping beneficiaries exit cash benefits. Our calculations suggest that even if 70 percent of the beneficiaries who exit cash benefits return within three years, each newly-induced DI exit would still generate savings worth over \$18,000 and each new SSI exit would generate just over \$12,000 after accounting for TTW payments to ENs.

As noted, the relatively small number of new exits needed for TTW to cover its costs points to a serious challenge facing the TTW evaluation—it is difficult to detect such small changes and attribute them to the program with a reasonable degree of certainty. For example, from 2002 (the first year of TTW) through 2006, the number of beneficiaries who had an initial exit from cash benefits ranged from 72,000 to over 79,000 (Schimmel and Stapleton 2011). An annual increase of 2,000 to 3,000, which could have made the program self-financing, would have been easily masked within that fluctuation.

To illustrate what it would take for TTW to be self-financing, consider the approximately 2,700 participant exits that occurred in 2006 (the most recent year for which complete data were available for this report). If 80 percent of them are new exits, 13 percent transfers from SVRAs, and only 7 percent beneficiaries who would have exited without SSA-financed assistance, then it is likely that TTW would be self-financing. However, if the fraction of exiting participants who would have otherwise exited without SSA-financed assistance increases much beyond that level, it becomes much less likely that the program will pay for itself. This scenario highlights the need for SSA to

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<sup>11</sup> SSA's appropriation for administration in fiscal year 2009 was \$10.5 billion (SSA 2010b), and total federal grants to states for vocational rehabilitation agencies exceed \$3 billion a year (Rehabilitation Services Administration 2010).

target TTW carefully and avoid drawing in many beneficiaries who are not in need of EN assistance to leave the rolls.

When considering whether TTW is self-financing, it is essential to remember that Congress passed the Ticket Act because it wanted to give people with severe disabilities a better chance to fully participate in society, particularly through employment. As the legislation notes, “It is the policy of the United States to provide assistance to individuals with disabilities to lead productive work lives.” Furthermore, the legislation aimed to give beneficiaries a choice of service providers that went beyond SVRAs. Although it was hoped that TTW would be self-financing, there were other important reasons to establish the program and deliver work supports to beneficiaries who want to work. In the end, the ability of the program to offset even some of its costs may be enough to justify its continued operation and development.

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## II. TICKET TO WORK OPERATIONAL COSTS

TTW operational costs include the resources SSA uses for administration as well as the expenditures for the milestone and outcome payments made to providers operating as ENs. Consistent with the analytical framework, the focus of this assessment is on the TTW operational costs associated with the new milestone-outcome and outcome-only payment systems. Costs associated with the traditional payment system are examined primarily to provide a basis for estimating the savings TTW generates when it induces beneficiaries to exit using the services of an EN rather than a SVRA (that is, the group represented by box **b\*** in Exhibits 2 and 3).

SSA's accounting system does not track operational costs specifically for the new components of TTW. It also does not receive a specific appropriation for TTW, and thus has to find the resources to run the program from within its regular budget. As a result, this analysis had to estimate the expected ongoing costs based on interviews with SSA staff responsible for program implementation, SSA administrative information, and some assumptions about the magnitude of TTW activities relative to all SSA activities related to beneficiary work efforts.

The cost estimates are based on SSA activities in 2009, the year after the new TTW regulations were introduced. At that time, SSA was still incurring some costs associated with rolling out the new regulations. As a result, cost estimates from that year may slightly overstate what SSA would spend to operate a stable, ongoing program. Although any ongoing program is likely to be implementing updates to program rules, the new regulations introduced in 2008 changed fundamental aspects of the program, including adding the partnership plus features and a new milestone payment structure as well as reducing the time required for ENs to obtain all outcome payments for DI beneficiaries who exit cash benefits. Furthermore, SSA undertook activities in 2008 to reverse a general decline in EN participation that had begun under the earlier rules.

Although precise cost estimates are not available for all years of TTW operations, it appears that total operational costs fell after 2005, spiked upward in 2008 as the new program features were implemented, and then fell back to below their 2005 level in 2009. That overall pattern of costs suggests that TTW can operate at its 2009 cost level (after controlling for inflation) even if the partnership plus features lead to a modest increase in TTW participant exits. There is also the possibility that costs may continue to decline (again, after controlling for inflation) as SSA staff are able to focus more on enhancing operations and less on helping providers and beneficiaries understand how the new rules improve the program. It also appears that annual costs do not appear to be particularly sensitive to the level of participation, at least within the levels observed in recent years, so that SSA could support modest increases in participation in TTW without substantial cost increases.

Overall, it is estimated that SSA spent approximately \$32 million in fiscal year 2009 to run TTW (Exhibit 4). Most of these costs pertain to contracts SSA issued to organizations that operate key TTW components. Approximately one-third of the operational costs are for SSA staff to oversee the program and respond to questions from beneficiaries. In addition, SSA spent approximately \$14 million for milestone and outcome payments to ENs that served TTW participants, of which an estimated \$4.5 million goes for participants who generate only milestone payments (that is, they never exit cash benefits and generate outcome payments).

**Exhibit 4. Fiscal Year 2009 Estimated TTW Operational Costs**

TTW Activity	Estimated Costs (\$ millions)
<b>TTW Contracts</b>	
Operations Support Manager (OSM) contract	11.5
Ticket Program Data Operations Center Management (TPDOCM)	2.3
Program Manager for Recruitment and Outreach (PMRO)	5.4
TTW printing and mailing contracts	0.5
Other administrative costs	0.4
<b>Subtotal for TTW Subcontracts</b>	<b>20.1</b>
<b>SSA Resources</b>	
Office of Employment Support Programs (OESP)	7.7
Regional and field operations staff (includes regional ticket coordinators, area work incentive coordinators, work incentive liaisons, and claims representatives)	4.3
<b>Subtotal for SSA Resources</b>	<b>12.0</b>
<b>Total Operational Costs</b>	<b>32.1</b>

Note: The costs do not always sum to the totals due to rounding.

### A. Overview of SSA's TTW Operations

SSA operates TTW by drawing on resources from many of its organizational components. The OESP leads the effort with substantial support from the Offices of Systems and Operations and additional support from several other SSA components. OESP developed the SSA rules, regulations, systems, and processes for managing the program. Such an undertaking required a tremendous effort because new TTW eligibility and payment rules interacted with virtually every component of SSI and DI programs. OESP also administers and oversees contracts with the two program managers and other organizations hired to market and implement the program. Since October 2005, OESP and its contractors have been enrolling providers that want to become ENs and renewing recently expired EN five-year contracts. OESP has also established EN and SVRA help desks to answer beneficiaries' eligibility and payment questions, and to assist with payment processing by referring requests requiring additional documentation to the appropriate field office.

In addition to the many SSA central office staff involved in TTW, many staff members work in TTW-related field operations. SSA has designated one staff person within each region as a regional ticket coordinator (RTC), charged with overseeing Ticket implementation activities at the regional level and reporting to the regional directors. The RTCs serve as the conduit for information from OESP to the field offices, coordinate ongoing training for field office staff, and troubleshoot other implementation issues. SSA has also hired 51 area work incentives coordinators (AWICs) who report to SSA area directors in each region and work closely with the RTCs. The AWICs respond to requests for information, make presentations at regional and local conferences, train field office staff on how to report beneficiary earnings and implement return-to-work issues, and troubleshoot difficult cases. The field offices respond to beneficiary requests for information about TTW, process earnings reports from beneficiaries and ENs, and work with the Disability Determination Service (DDS) on processing requests for expedited reinstatements.

As noted, SSA has contracted with several organizations to help operate specific components of TTW. The largest of the contracts is for the OSM, which oversees the toll-free TTW call center,



processes Ticket assignments, prepares payments for submission to SSA, and provides training and technical assistance to ENs. Each month, SSA mails a brochure to newly eligible beneficiaries to direct potential participants to call or email the OSM for further information. The OSM's call center provides contact information for ENs, WIPAs, and the PABSS. During 2006-2007, more than 65,000 Tickets were mailed each month, resulting in 11,000 to 12,000 monthly calls from potential program participants. ENs also contact the call center when a beneficiary attempts to assign his or her Ticket to the EN to establish whether the Ticket is assignable (for example, not already assigned to another agency). The OSM also provides technical assistance and training for ENs through training publications and its ongoing training and informational teleconference called Ticket Training Tuesdays. MAXIMUS has held the OSM contract since TTW began.

Until October 2005, the OSM was responsible for TTW management as well as for increasing EN and beneficiary awareness of and participation in TTW. Since then, the beneficiary outreach activities have been included in a separate contract for a PMRO that was awarded to Cherry Engineering Support Systems, Inc. (CESSI). The PMRO has developed a major initiative to work with the WIPA programs and hold Work Incentive Seminar Events (WISE). The seminars, conducted by the WIPAs with assistance from the PMRO, inform beneficiaries about work incentives and introduce them to local ENs. In a further effort to raise the level of EN and beneficiary awareness of and participation in TTW, the PMRO attends conferences, makes presentations, and develops partnerships between ENs and other employment providers, such as the SVRAs and the one-stop employment centers.

The third major contract, also awarded to MAXIMUS, is for the TPDOCM. Under this contract, MAXIMUS manages the TTW data operations center, which provides ongoing data and system support to TTW and helps coordinate information exchanges among SSA, beneficiaries, ENs, and SVRAs.<sup>12</sup>

## B. TTW Contract Costs

The fiscal year 2009 costs for the various contracts SSA has awarded to support TTW operations provide the best available indication of the ongoing costs for these activities under the new rules. The contracts were awarded through competitive bidding and have been in place long enough that all the vendors should have completed the more costly start-up phase. SSA staff provided us with the following actual or projected contract costs:

- OSM: actual fiscal year 2009 costs for the OSM contract were \$11.471 million.
- TPDOCM: projected fiscal year 2009 costs for the TPDOCM contract were \$2.276 million.
- PMRO: projected fiscal year 2009 costs for the PMRO contract were \$5.432 million.

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<sup>12</sup> At the end of June 2005, SSA began working with Lockheed Martin to develop the requirements analysis for the Comprehensive Work Opportunities Support System (CWOSS), which will replace the current data center owned by MAXIMUS. We have excluded the costs of this development effort from our analysis because we focus on the costs of ongoing TTW operations rather than this one-time effort to move the data system from the contractor to SSA.

- TTW printing and mailing contracts: SSA spent \$522,000 for printing and mailing Tickets, assignment letters, termination notices, and other materials in calendar year 2009.<sup>13</sup>
- Other administrative costs: SSA issued several smaller contracts for travel, costs for exhibiting TTW materials at conferences, regional outreach, and other activities. The total cost for these contracts in fiscal 2009 was approximately \$432,000.

### C. SSA Staff Resources Devoted to TTW

Congress did not allocate funds to SSA specifically to implement TTW. Accordingly, SSA drew on the resources of its many components to field the program and did not establish TTW-specific accounting codes that could be used to distinguish activities associated with TTW features. This complicated the cost estimation, which had to include ongoing costs using staffing information provided by SSA staff and available data on staff salary rates and associated overhead costs.

The OESP staff developed a list of the 75 people who worked in their office during fiscal year 2009 and the proportion of each person's time devoted to all TTW activities other than the traditional payment system for SVRAs. Overall, OESP staff spent slightly more than 29 person years of time operating TTW. Using the fiscal 2009 salaries for each individual, OESP staff members were able to calculate the total direct labor costs. These costs were then marked up to reflect costs for fringe benefits as well as for facilities, office equipment, telephone, and other overhead attributable to their work. Costs were also marked up to reflect the general administrative support provided by SSA. These calculations yield a cost of \$7.7 million per year for OESP operations.

No similar estimates were provided for the time spent on the new TTW payment systems by the 10 RTCs, 51 AWICs, 1,150 work incentive liaisons (WILs), and approximately 14,500 claims representatives who could have had some involvement in TTW. As a result, the evaluation used a multi-step process to estimate the costs for these staff members in 2009 when TTW operations were relatively stable.<sup>14</sup> The first step was to estimate the amount of time these staff spent on all work-incentive activities, including TTW. Based on interviews with SSA staff, including a representative of the SSA Office of Public Services and Operations Support, it was reported that that RTCs and AWICs spent approximately 90 percent of their time on work-incentive activities, WILs spent 5 percent of their time on such activities, and the claims representatives spent approximately one percent of their time.

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<sup>13</sup> While this figure pertains to calendar year 2009, it nevertheless provides a reasonable estimate of the ongoing annual mailing and printing costs broadly consistent with the other costs reported for fiscal year 2009. Printing and mailing costs for fiscal year 2009 could have been lower than those observed for calendar year 2009 because of inflation (although inflation was quite low during this period). Alternatively, fiscal 2009 costs might have been higher because the first three months of fiscal 2009 (October–December 2008) may have included some of the one-time costs associated with implementing the new regulations finalized in July 2008.

<sup>14</sup> During the first few years of TTW, these staff members spent considerably more time than shown here due to the demands of program start-up.

The second step was to determine the fraction of the overall work-incentive time spent on activities related to the new program components introduced by TTW.<sup>15</sup> For AWICs and WILs, we estimated this fraction based on the relative size of their TTW caseload. Specifically, we used the ratio of the number of TTW participants who exit cash benefits due to work relative to the total number of beneficiaries who exit due to work. While the AWICs and WILs staff spend time assisting beneficiaries who do not exit, the analysis used this ratio to reflect the general distribution of effort between TTW and other work-incentive activities.

In 2006, TTW participants using the new payment systems (milestone-outcome and outcome-only) accounted for less than one percent of all beneficiaries who exited cash benefits due to work (Schimmel and Stapleton 2011). However, because the TTW rules are more complex than those for other beneficiaries, we attributed time disproportionately to TTW as follows: 25 percent of the time RTCs spend on work incentives is focused on TTW, 10 percent for AWICs, and 5 percent for WILs. This would imply 2.3 person years of RTC time, 4.6 person years of AWIC time and 2.9 person years of WIL time spent on TTW issues annually.

Based on conversations with SSA staff and the evaluation team's observations of TTW operations, it seems likely that, as a group, the approximately 14,500 claims representatives were spending a relatively small proportion of their time helping to implement the new TTW payment systems by 2009. The bulk of their time is spent interacting with the public to take applications for retirement and disability benefits and to conduct income and resource checks for SSI applicants. If, as reported, they spend one percent of their time implementing all work incentives for the DI and SSI programs, that effort would represent 145 work years.

To estimate the proportion of that time devoted specifically to the new EN-related components of TTW the analysis used the ratio of EN Tickets assigned to all beneficiaries who are working or looking for work. By the end of 2011, just over 43,000 Tickets had been assigned to an EN (SSA 2012a). Livermore (2011) report that 24 percent of the approximately 12 million working age DI and SSI beneficiaries were working, engaged in training, or looking for work. Thus, beneficiaries who have assigned Tickets to an EN account for about 1.5 percent of all beneficiaries who might need claims representative service related to work incentives.<sup>16</sup> The TTW cases may be more time consuming for claims representatives because they occur relatively rarely and require the application of special rules. There is no direct evidence about how much more time such cases require, so the analysis assumed that they took three times as much effort. As a result, the analysis attributed 6.5 work years (that is, 4.5 percent of the total of 145 work years claims representatives spend on work incentives) to the new components of TTW.

The third step was to compute the value of staff time using average salaries paid to people in the AWIC, WIL, and claims representative positions. We then marked up that direct salary cost to reflect fringe benefits and overhead costs.

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<sup>15</sup> As described in the report's introduction, the analysis focuses just on new market-oriented aspects of TTW (particularly, the milestone-outcome, outcome-only, and partnership plus payment systems). It therefore excludes time spent on the traditional program under which SSA pays SVRAs for assisting beneficiaries to engage successfully in substantial gainful activity and time devoted to administering various DI and SSI work incentives for the many beneficiaries who work or exit cash benefits without any SSA-financed support.

<sup>16</sup> This percentage is computed as 43,000 divided by 2.88 million (which is 24 percent of 12 million).

This process generated an estimate of annual costs of \$4.3 million for the operations staff who support the new parts of TTW. Although this estimate is less certain than one that could be derived if SSA accounting data tracked TTW activity, it turns out that the overall conclusions of the analysis would not be substantively different even if total costs (not just those associated with SSA staff resources) were 20 percent higher than estimated (see Chapter IV).

## D. Milestone and Outcome Payments to ENs

In addition to all operation costs discussed above, SSA will also incur costs for the milestone and outcome payments to ENs.<sup>17</sup> In 2009, expenditures for such payments totaled \$14 million. Due to lags in the payment system, this total expenditure covered payments generated in 2009 and earlier years. For purposes of assessing whether TTW is self-financing, we disaggregate milestone and outcome payment costs according to two types of situations. Any payments (milestone or outcome) made for TTW participants who exit cash benefits and therefore generate at least one outcome payment are considered in the next chapter along with the savings they generate due to the reduced benefits they receive (that chapter also addresses the issue of payments for beneficiaries who would have exited cash benefits even in the absence of TTW). Costs for participants who generate only milestone payments are considered here and added into the operational costs for TTW.

### 1. Overview of the Milestone-Outcome and Outcome-Only Payment Systems

The 2008 TTW regulations revised the milestone-outcome and outcome-only payment systems so they paralleled the steps beneficiaries take toward achieving self-sufficiency. These new regulations are designed to (1) increase overall funding, (2) reduce the differential between milestone-outcome and outcome-only payments, (3) equalize funding for DI and SSI beneficiaries, (4) increase milestone-outcome revenues, and (5) shorten the payment time for ENs serving DI beneficiaries.

The revised milestone-outcome payment system consists of three phases:<sup>18</sup>

- Phase 1, which represents beneficiaries' initial efforts at employment, is modeled on the trial work period (TWP) for DI beneficiaries. In 2009, there were four milestone payments of \$1,211 (totaling \$4,844) for both SSI and DI beneficiaries, which are made when the beneficiary meets each of the following earnings levels for the first time (these Phase 1 payments will not be made to an EN for a beneficiary who has received services from an SVRA that receives payments under the traditional payment system for that beneficiary):
  - Earnings over a two-week period that exceed half of the trial work level (that is, \$350 in 2009)
  - Monthly earnings that exceed the trial work level of earnings (that is, \$700 per month) for three months

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<sup>17</sup> TTW gives SVRAs an extra option. At their discretion, they can forego the traditional payment system and elect to accept a beneficiary's Ticket and be paid under the milestone-outcome or outcome-only system. Almost 85 percent of SVRAs have elected to accept at least one Ticket in this fashion. We include those Tickets as part of our analysis of ENs since in these cases, the SVRA is essentially acting as an EN.

<sup>18</sup> There is no relationship between these phases and the TTW rollout phases.

- Monthly earnings that exceed the trail work level of earnings for six months
- Monthly earnings that exceed the trial work level of earnings for nine months
- Phase 2 recognizes a significant additional step toward self-sufficiency by providing funds when an individual achieves increased earnings. Phase 2 milestone payments are made when a beneficiary's monthly gross earnings exceed the monthly substantial gainful activity (SGA) amount (\$980 in 2009); gross earnings before adjustments are used to encourage the use of work incentives during Phase 2. Payments of \$207 for SSI-only recipients may be paid for 18 months; payments of \$363 for DI beneficiaries may be paid over 11 months. ENs serving beneficiaries for whom an SVRA has received payments under the traditional system are eligible for Phase 2 payments.
- Phase 3 is the outcome payment period after the beneficiary no longer receives cash DI or SSI payments. During this period, ENs may or may not provide services to support retention of employment. Outcome payments are made for DI beneficiaries for 36 months and for SSI-only recipients for 60 months, providing the additional effect of roughly equalizing total Ticket payments for SSI and DI beneficiaries. In addition, once a beneficiary generates their 12th outcome payment, a lump-sum payment is made for any remaining Phase 1 and 2 milestone payments that have not yet been.

Exhibit 5 summarizes the payments and phases for DI and SSI beneficiaries.

**Exhibit 5. EN Payments Under the Milestone–Outcome System (2009 Rules and Dollars)**

Payment Type	Beneficiary Earnings	DI Payments (\$)	SSI Payments (\$)
<b>Phase 1</b>			
Milestone 1	\$350 for 2 weeks of work	1,211	1,211
Milestone 2	\$700 per month x 3 months of work	1,211	1,211
Milestone 3	\$700 per month x 6 months of work	1,211	1,211
Milestone 4	\$700 per month x 9 months of work	1,211	1,211
<b>Phase 2</b>			
Milestones 1–11 <sup>a</sup>	Gross earnings >\$980	363	207
Milestones 12–18 <sup>a</sup>	Gross earnings >\$980	n.a.	207
<b>Total Milestones</b>		<b>8,837</b>	<b>8,570</b>
<b>Outcome</b>			
1–36		363	n.a.
1–60		n.a.	207
<b>Total Milestones and Outcomes Available</b>		<b>21,905</b>	<b>20,990</b>

Source: SSA 2010c

Note: The payment system uses the terms Phase 1 and Phase 2 to represent different stages of a beneficiary's move to SGA; these terms do not pertain to the phases of TTW rollout. Concurrent beneficiaries are paid according to the DI schedule.

<sup>a</sup> Phase 2 milestones are paid when a participant earns more than the level designating SGA. In 2009, that level was \$980 per month for beneficiaries other than those disabled by blindness (for whom SGA was \$1,640).

A key feature of the new milestone-outcome payment system is that when a beneficiary generates the 12th outcome payment, all previous milestone payments are also paid (SSA 2012b). Therefore, beneficiaries who generate at least one year of outcome payments generate a cost to SSA of the total possible milestone amounts. The new regulations in place for 2009 allowed total possible

milestone payment amounts of up to \$8,837 per SSI participant and \$8,570 per DI participant in 2009 (Exhibit 5).

The new rules also changed the outcome-only payment system. The original system set total payments equal to 40 percent of the average benefits that would have been paid to a DI or SSI beneficiary during the five-year period when TTW outcome payments would have been made. The new system for DI beneficiaries raised the monthly payment to 67 percent of the average benefit and shortened the payment period to 36 months. As a result, DI beneficiaries can now generate outcome payments of \$363 per month for up to 36 months, and SSI-only recipients can generate \$207 per month for up to 60 months (2009 figures) (SSA 2010c). This translates to \$4,356 per year for up to three years for DI beneficiaries who remain continuously off case benefits, and \$2,484 per year for up to five years for SSI-only recipients.

## 2. Costs for Participants Who Generate at Least One Outcome Payment

Because outcome payments are made only when a beneficiary ceases to receive cash benefits, any TTW participant generating an outcome payment creates a cost in the form of TTW payments and a potential savings to SSA in the form of a net reduction in benefit payments to the extent they would not have exited cash benefits in the absence of TTW. These savings and costs are examined in the next chapter.

## 3. Costs of DI Milestone-Only Participants

If the TTW system is operating as designed, DI beneficiaries who generate only milestone payments will create no corresponding savings for SSA in the months for which milestone payments are made because they will maintain their benefits.<sup>19</sup> In contrast, an SSI-only recipient who generates only milestone payments may create some savings for SSA because SSI payments are reduced for earnings over a minimal amount (\$85 for beneficiaries with no other non-SSI income except earnings). We will account for the milestone payments to DI participants here and account for any milestones generated by SSI participants along with the corresponding benefit reductions in the next chapter.<sup>20</sup>

In estimating costs, we have focused only on the Phase 1 milestone payments under which an EN can receive as much as \$4,844 per participant (SSA 2010c). Phase 2 payments are paid when the beneficiary has gross earnings above SGA. Those payments are considered along with outcomes payments in the next section. This approach implicitly assumes that DI beneficiaries who do not intend to go to zero-benefit status will not earn more than the SGA level, and will therefore generate only Phase 1 milestone payments.

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<sup>19</sup> The exception would be if an EN enabled a DI beneficiary to go off the rolls but requested only milestone payments. This may happen because of beneficiaries who refuse to provide their earnings information or move out of the area served by the EN. This situation is ignored in this chapter but discussed in Chapter IV in relation to how the overall conclusions would be affected if operational costs and Ticket payments were less than estimated. The findings indicate that while lower costs would increase the likelihood that TTW would be self-financing, our overall conclusions still stand.

<sup>20</sup> Concurrent beneficiaries, which are included with the DI beneficiaries, would also generate some savings in reduced SSI payments when they increased their earnings. There is no evidence that such savings are material to the assessment of whether TTW can be self-financing. As a result, they are ignored in the analysis.

It appears that in 2009, SSA spent approximately \$4.5 million for beneficiaries who generate only milestone payments. This reflects average milestone payments of \$1,944 made to approximately 2,300 beneficiaries. The average payment is calculated by dividing total milestone payments since the start of TTW (\$23.5 million) by the number of participants who have generated a milestone (12,091). The number of beneficiaries who received only milestone payments was estimated in three steps. First, SSA (2010d) indicates that between May 1, 2008, and November 1, 2010, 8,057 beneficiaries generated milestone payments to an EN. Second, it appears that 71 percent of those beneficiaries did not generate an outcome payment, although some may do so in the future.<sup>21</sup> Finally, if the figures for the 30 months covered by the SSA (2010d) report are prorated to a 12-month period, it implies that slightly fewer than 2,300 participants generate only milestone payments in a year. In its reports, SSA does not distinguish between milestone payments made to DI or SSI beneficiaries. Thus, the \$4.5 million is larger than just the DI payments the analysis is trying to capture. However, the vast majority of TTW participants are DI beneficiaries, so the additional costs included here are likely to be modest.

In assessing whether TTW is likely to be self-financing, we add the \$4.5 million to the other costs of operations. The remaining milestone and outcome payments, those that are made for beneficiaries who exit cash benefits and generate at least one outcome payment and those made for SSI recipients who increase earnings enough to generate milestone payments, are analyzed in the next chapter along with the offsetting benefits they generate.

## E. Costs for the Traditional Payment System

As we described earlier, the analysis focuses only on the costs related to the new features introduced by TTW that would not continue in the absence of that program. The traditional payment system for SVRAs is a long-running activity that was rolled into TTW and seems likely to continue even if the new parts of TTW are discontinued. Nevertheless, it is worth keeping the traditional program in mind, particularly since the new partnership plus option creates new ways for SVRAs to work with ENs to assist beneficiaries to find and maintain substantial gainful activity.

Total expenditures under the traditional payment system have varied over time (SSA 2010a). After remaining essentially flat at approximately \$60 million from 1990–1996, annual payments through this system rose rapidly, reaching a peak of more than \$130 million in 2002, the year TTW initially rolled out. After TTW was launched, annual payments through the traditional system fell to between \$75 and \$85 million for three years, rose to more than \$100 million in 2006, fell back somewhat in 2007 and then rose to more than \$120 million in 2008 and 2009. The exact causes of the decline in 2002–2003 are not understood, but it does not appear to be due strictly to TTW because the time pattern of declines is similar in all states, even those where TTW was not fully rolled-out until late 2004.

The number of beneficiaries for which SSA has reimbursed SVRAs has ranged from 6,100 to 11,100 since fiscal year 1998. In fiscal year 2009, SSA paid an average of \$14,035 per claim for a total of 8,712 claims by SVRAs under the traditional payment system (SSA 2010a). This average cost per claim is not directly comparable with the average milestone and outcome payments made to TTW

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<sup>21</sup> Of the 8,057 beneficiaries with milestone payments, SSA (2010d) reports that 2,314 (29 percent) generated at least one outcome payment. That would imply that 5,743 (71 percent) of the beneficiaries who generated a milestone payment during the period did not generate an outcome during that period.



participants in the new payment systems. SVRAs can obtain the reimbursement payments when they assist a beneficiary to maintain substantial gainful activity for 9 months during a 12-month period. ENs must assist beneficiaries to actually exit cash benefits before they can receive the full TTW payments. This issue is discussed further in Chapter IV when the extent to which TTW induces some beneficiaries who would have used SVRA services to exit cash benefits after using EN services (this group corresponds to the one represented by box **b\*** in Exhibits 2 and 3) is examined.

The partnership plus approach could affect the estimates of TTW self-financing in several ways. It could increase use of the program. It could reduce average milestone payments for TTW participants because it does not pay any Phase 1 milestone payments (although it would correspondingly raise costs for the traditional payment system). Finally, it might generate more net exits from cash benefits by helping more beneficiaries capitalize on the SVRA services they receive. It is too early to tell how these factors will play out, but SSA should continue to monitor this aspect of the program in coming years.



### **III. SAVINGS TO SSA FROM TTW-INDUCED EXITS FROM CASH BENEFITS**

The potential savings from the new features introduced by TTW depend on a wide variety of factors. In particular, savings depend on the number of beneficiaries who assign their Tickets, the extent and speed with which they obtain jobs that provide substantial gainful activity, the rate at which they exit cash benefits, and the extent to which they are able to maintain their employment and avoid returning to cash benefits. Savings also depend on the size of the milestone and outcome payments as well as technical issues such as the time horizon over which savings are calculated and the discount rate used to value future savings in terms of current dollars.

Ideally, savings would be estimated by comparing longitudinal observations of TTW participants who exit cash benefits with similar observations for a valid comparison group. Unfortunately, that option is currently unavailable due to the challenges of identifying a statistically valid comparison group and the limited period in which the revised TTW regulations have operated. The analysis therefore uses available data about the behavior of participants who exit cash benefits combined with the TTW rules to develop a stylized “reference scenario” that essentially describes the path by which a hypothetical TTW participant would generate all available milestone and outcome payments as quickly as possible and with the lowest levels of earnings possible. These reference scenarios are intended to reflect average behaviors for all participants who generate an outcome payment; actual beneficiary behavior will vary substantially. The scenarios provide a way to benchmark potential savings. Those potential savings can then be compared with actual program costs and observed patterns of beneficiary exits and returns to cash benefits in order to assess the likelihood that TTW is self-financing.

The reference scenarios used in the analysis assume that the pattern of employment, benefit payments, and TTW payments plays out much more quickly than was observed during the early years of TTW. In general, TTW participants have taken quite a while to earn even all the milestone payments, and earning available outcome payments has taken even longer. Nevertheless, this approach provides a useful method for computing the number of exits required for TTW to be self-financing. Using a more complex scenario with a longer time pattern of earnings, Ticket payments, and benefits would not substantially alter the overall conclusions of this report. This is due to the fact that if participants take longer to meet the TTW benchmarks for milestone and outcome payments, both the program costs (in the form of Ticket payments) and savings (in the terms of reduced DI or SSI payments) are spread out over time in roughly the same way. Although net savings that occur further in the future would be worth less to SSA than savings realized more quickly, the differences due to that are generally less than differences due to estimates of future beneficiary behavior, particularly with respect to the rate at which they return to cash benefits after an initial exit. It is, nevertheless, important to remember that the savings-per-exit estimates developed here should be viewed as planning tools rather than direct estimates of beneficiary behavior. It is also essential to remember that some beneficiaries would exit cash benefits even in the absence of TTW. Thus, the program can be self-financing only when it increases beneficiary exits above what would have happened without TTW.

The net savings to the SSA generated by a TTW-induced exit from cash benefits depends on the following factors:<sup>22</sup>

- Cash benefits that TTW participants would have received in the absence of TTW
- Cash benefits that TTW participants actually receive that are a function of
  - Benefits at the time they start working and any adjustments SSA makes to those benefits due to the beneficiary's earnings
  - The proportion of beneficiaries who return to cash benefits after their initial exit
  - The length of time beneficiaries who return to cash benefits remained off them
- Milestone and outcome payments TTW makes to ENs that hold the participant Tickets<sup>23</sup>
- The time period used for the calculations
- Discount rate used to convert the stream of net savings in each year into an equivalent current value

Because DI and SSI benefits differ and are paid under different rules, this analysis uses separate estimates of the net savings generated by DI and SSI participants in TTW. In particular, the first three factors above differ substantially for the two types of beneficiaries; hence net savings from TTW-induced exits from cash benefits will differ. Concurrent beneficiaries are included with DI beneficiaries because the TTW payment system treats both groups equivalently, although this means that the analysis ignores savings from reduced SSI payments to concurrent beneficiaries with earnings who do not exit cash benefits.

The major challenge in estimating net savings to SSA is that it can take years for all the TTW-induced benefit reductions and payments to occur. Benefit reductions often come well after beneficiaries start working. For example, DI beneficiaries generally must complete their trial work periods (TWP) before their cash benefits will be terminated. Furthermore, once beneficiaries exit cash benefits, some return quickly and others may remain off for years. Similarly, TTW payments will vary over time. Under the new TTW rules, milestone payments can start very soon after a person enters employment and are likely to continue for three or more years, depending on how quickly outcome payments start and whether there are breaks in employment.

This analysis seeks to account for the bulk of the anticipated benefits and costs by using a 10-year time period, a duration that reflects the time horizon over which return-to-work and benefit-receipt scenarios are likely to play out. To deal with benefits and costs that occur at different times, we use a 2.2 percent annual discount rate to convert dollar values in future years to the equivalent net present value in the first year. This is the rate specified by the Office of Management and Budget (OMB) for cost-effectiveness analyses done in fiscal year 2011 where a 10-year time horizon is used.<sup>24</sup>

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<sup>22</sup> In this discussion, we have used the term "SSA savings" to represent savings to the DI and SSI programs.

<sup>23</sup> Payments for any milestone-only participants were accounted for in the previous chapter.

<sup>24</sup> See OMB (2009).

The quantitative findings generated by the reference scenarios are sensitive to the length of the time period. In particular, relatively short periods will capture most of the costs, but fewer of the savings from long-term exits from benefits. The findings are not especially sensitive to discount rates in the range specified by OMB, which includes annual rates from 0.9 to 2.7 percent depending on the duration of the expected benefit and cost flows.

### A. Savings from DI and Concurrent Beneficiaries Who Exit Cash Benefits

As noted, this analysis uses a reference scenario to estimate the potential savings generated by DI beneficiaries who have TTW-induced exits from cash benefits. This scenario essentially assumes that beneficiaries successfully follow the minimum earnings path that would produce all of the milestone-outcome payments as quickly as possible. Specifically, our reference scenario for DI beneficiaries assumes the following pattern of return to work events:

- A beneficiary enters work without having used any of his or her TWP months.
- The individual then works continuously at an earnings level required to use up the entire 9-month TWP and 3-month grace period within the next 12 months.<sup>25</sup>
- During the TWP, the individual demonstrates the capacity to engage in SGA so cash benefits will be suspended after 12 months.
- After exiting cash benefits, 70 percent of DI participants ultimately return to cash benefits. While they are off cash benefits, however, the analysis assumes that they maintain employment at a level that will result in all outcome payments being made to ENs holding their Tickets until the time they return to cash benefits.
- The return process starts in the second year—that is, the year cash benefits are suspended—and follows the return experience generally observed for TTW participants and reported by Schimmel and Stapleton (2011): half of the beneficiaries who exit return to cash benefits within one year and an additional 20 percent return over the next four years. That leaves 30 percent who are off of cash benefits four years after their initial exit. No evidence about longer-term patterns is available, so the analysis assumes that 30 percent of exiting beneficiaries will stay off of cash benefits for the remainder of the 10-year reference period.
- The average annual benefits are \$11,195, which is the annualized monthly benefit amount for DI participants in TTW, including SSI payments for concurrent beneficiaries.<sup>26</sup>

As noted, this scenario assumes that beneficiaries meet the key TTW benchmarks for milestone and outcome payments as quickly as possible except for the assumption that they have all nine months of their TWP remaining when they assign their Tickets. Experience with TTW so far,

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<sup>25</sup> Although a month of work was considered part of a TWP if a beneficiary earned at least \$700 in 2009, earnings at that minimum level may not lead to a determination that the beneficiary was capable of SGA. By assuming that the beneficiary earned at least \$980 a month, an assumption is also made that he or she is demonstrating SGA and will therefore be moved off cash benefits at the end of the trial work and grace periods.

<sup>26</sup> All calculations are made without calculating the effects of inflation. Therefore, cost-of-living raises are not included in future benefits. Doing so would not change the substantive conclusions.

however, has been that DI beneficiaries take quite some time before they exhaust their trial work and grace periods; most beneficiaries who exit the rolls will take longer to do so than envisioned in the scenario (Schimmel and Stapleton 2011).

But although actual events play out more slowly than assumed by the reference scenario, it nevertheless provides a good starting point for considering how many additional beneficiaries would have to exit cash benefits for the program to be self-financing. The primary virtue of the reference scenario is that it is relatively straightforward.<sup>27</sup> It assumes that everything works in sequence as intended by TTW. Thus, DI beneficiaries who leave the rolls for work under TTW are assumed to receive their full DI benefits during the first year, because of the trial work period and three-month grace period. Benefits are reduced in year two and subsequent years as long as beneficiaries remain off cash benefits. Outcome payments proceed for those who remain off the rolls up to the maximum number of outcome payments allowed. If the reference scenario were to use a longer time pattern for earnings, Ticket payments, and benefits, the overall conclusions of this report would remain largely unchanged. If participants take longer to meet TTW benchmarks for milestone and outcome payments, both the program costs (in the form of Ticket payments) and savings (in reduced DI or SSI payments) are spread out over time in roughly the same way. Although net savings that occur later in the future would have a lower present value to SSA than savings realized more quickly, the effect of changes in timing on total savings is very small relative to other sources of uncertainty in the cost estimates.

By constructing the scenario this way, the evaluation can straightforwardly assess the effect of changing the various simplifying assumptions. In particular, specific elements of the reference scenario can be changed to assess the sensitivity of the overall conclusions to that element. The most important of these elements are the fraction of participants who return to cash benefits, the speed with which they return, and the overall timeframe under which the scenario takes place.

It is worth noting that the reference scenario bases its assumption about the rate at which exiting beneficiaries subsequently return to cash benefits on the actual experience of TTW participants. Also, it appears that ENs currently collect only about half of the outcome payments to which they may be entitled. As a result, SSA makes TTW payments that are substantially less than estimated in our scenario (which assumes that ENs obtain payments for all months participants do not receive cash benefits because of work).<sup>28</sup>

Under the reference scenario, the average net savings to SSA for DI participants who work enough to exit cash benefits would have an average present value of slightly more than \$18,300 (Exhibit 6). As would be expected from the patterns of earnings and benefit receipt in the reference scenario, TTW generates a net programmatic cost to SSA in the first year because working DI beneficiaries can generate milestone payments (\$4,844), yet still retain full benefits (\$11,195) because of the trial work and grace periods. In the second year, beneficiaries are assumed to have exited cash benefits, though half of them return immediately that year. Milestone and outcome payments due in

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<sup>27</sup> The fact that even this “relatively straightforward” scenario is not all that straightforward reflects the overall complexity of the DI program, its work incentives, and the TTW payment systems.

<sup>28</sup> A major factor that influences whether an EN obtains all the outcome payments is whether they are able to track beneficiaries they help to exit cash benefits and obtain the required documentation of continued employment. This issue is discussed in the last chapter of this report.

the second year for beneficiaries who leave cash benefits (\$4,175) would offset most of the savings from reduced benefit payments, but would still leave SSA with a net savings of \$1,377 that year.

**Exhibit 6. Average Net Present Value Generated by DI Beneficiaries Leaving Cash Benefits Under the Reference Scenario**

Year	DI Benefits Paid in the Absence of TTW (\$)	Average DI Benefits Paid Under TTW (\$)	TTW Payments to ENs (\$)	Net Savings (\$)	Discount Factor (2.2 Percent)	Net Present Value (\$)
1	11,195	11,195	4,844	(4,844)	0.989	(4,791)
2	11,195	5,598	4,175	1,423	0.968	1,377
3	11,195	6,717	1,742	2,736	0.946	2,589
4	11,195	7,837	1,307	2,052	0.926	1,900
5	11,195	7,837	0	3,359	0.906	3,042
6	11,195	7,837	0	3,359	0.886	2,976
7	11,195	7,837	0	3,359	0.867	2,911
8	11,195	7,837	0	3,359	0.848	2,848
9	11,195	7,837	0	3,359	0.829	2,786
10	11,195	7,837	0	3,359	0.811	2,725
<b>Total</b>						<b>18,363</b>

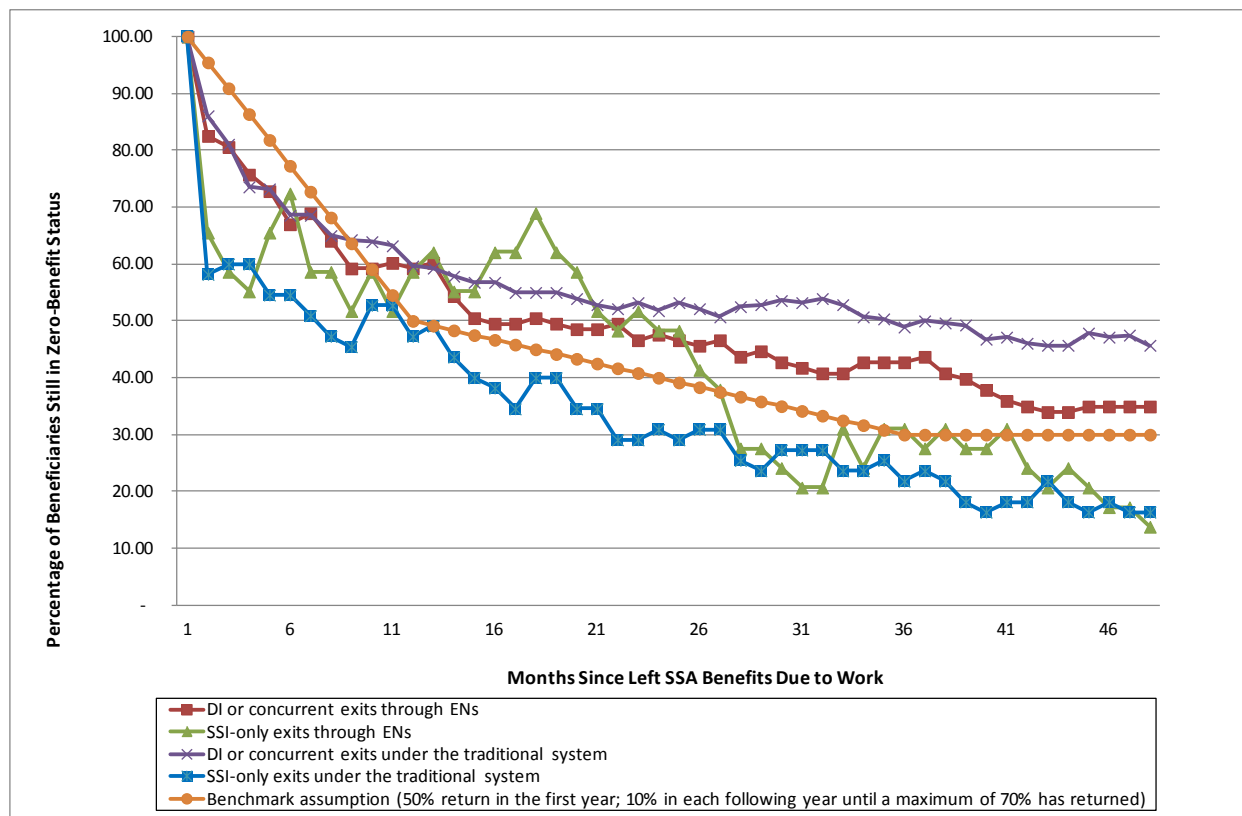
Note: These calculations are based on the reference scenario that assumes 70 percent of the beneficiaries who exit cash benefits ultimately return to active status. The returns start in year two when 50 percent are assumed to return immediately after completing their trial work and grace periods. Subsequently, an additional 10 percent return each year until the total of 70 percent has returned by year four. An annual discount rate of 2.2 percent was also used to compute the value of net savings in the year the exit takes place.

Under the reference scenario, most beneficiaries who exit cash benefits return during the year they left or the following year (that is, the second and third years of the reference scenario). As they return, the savings SSA had from reduced benefit payments diminishes, as do the costs SSA incurs for TTW outcome payments. By year four, all DI beneficiaries who are going to return to the rolls under the reference scenario have done so. As a result, from year five on, there is a constant net savings due to the beneficiaries who have permanently exited cash benefits (\$3,359 before discounting).

The assumption of a rapid first-year return to cash benefits along with an expectation that 30 percent of the participants who exit cash benefits remain off benefits for the duration of the 10-year accounting period are important determinants of the estimated savings. Evidence supporting these assumptions comes from Schimmel and Stapleton (2011) who examined four years of follow-up data for TTW participants who were assigned their Tickets under one of the new TTW payment systems and who left the cash benefits due to work during the first year of TTW (2002). Using data provided from their analysis, the percentage of DI/concurrent and SSI participants who were in zero-benefit status for each month following the month they exited (Exhibit 7) were computed. The rapid return to cash benefits during the first year following an exit is clearly shown in Exhibit 7, although actual experience suggests that it takes 15 months, rather than 12 months, for half of the DI beneficiaries to return to cash benefits. The more gradual aggregate rate of return during years two through 4 is also clearly shown in the figure, with 35 percent of exiting DI participants in zero-

benefit status 48 months after their exit.<sup>29</sup> The decline in the rate of return to cash benefits is nearly flat as we reach 48 months after benefit exit, suggesting that the assumed 30 percent will remain off benefits for 10 years is at least plausible. The last section of this chapter returns to this issue and examines the sensitivity of the results to this factor.

**Exhibit 7. Percentage of Beneficiaries Off Cash Benefits by Month Following Their Initial Exit in 2002**



Source: Calculations based on data presented in Stapleton et al. (2010b).

It is worth noting that some beneficiaries go on and off cash benefits after an initial exit. This cycling is masked by the graphs which only show the overall proportion of beneficiaries who are off in each month. Thus, the figure shows only that 35 percent of DI beneficiaries who exit are off four years after their initial exit. It does not indicate that 35 percent of DI beneficiaries who exit will continuously remain off cash benefits for four years. Although this distinction is important for studies of beneficiary behavior, the analysis of whether TTW can be self-financing depends only on the aggregate fraction of beneficiaries who return by each month. As long as TTW made all outcome payments, this aspect of participant behavior does not affect the self-financing calculations.

<sup>29</sup> Schimmel and Stapleton (2011) report similar figures that combine participants in the new milestone-outcome and outcome-only systems with those in the traditional system for SVRAs. Because participants in the traditional payment system were more likely to remain off benefits during the four years following their first exit, the combined figures presented by Schimmel and Stapleton show that 43.4 percent of all DI participants are off benefits at 48 months compared with the results shown here that indicate that 35 percent of the DI participants who had assigned Tickets under the milestone-outcome and outcome-only systems were off at 48 months. This difference is illustrated in Exhibit 13.

But if it led to missed outcome payments, it would lead to greater net savings. There are also administrative costs associated with beneficiaries going on and off cash benefits. Those costs are captured in the estimates of the time SSA staff spend administering the program.

The present value calculations use a standard method for converting a stream of savings and costs into an equivalent value measured at a particular point of time. In this case, that point in time is the start of the reference scenario. This process assigns lower values to the net benefits that occur in later years, so a dollar saved in year 10 is worth just 76 percent of a dollar saved at the start of the 10-year reference period.<sup>30</sup>

## B. Savings from SSI-Only Recipients Who Exit or Reduce Cash Benefits

The process of estimating the net present value generated by SSI-only recipients who are induced to leave cash benefits by TTW is broadly similar to that used for DI beneficiaries. The primary difference is that SSI recipients can earn substantially more than the SGA level and still keep some cash benefits under the provisions of Section 1619.<sup>31</sup> In fact, an SSI-only recipient may be able to earn up to \$1,300 a month and still retain some cash benefits while DI beneficiaries (under current rules) can lose all of their DI benefits if they consistently earn more than \$1,000 per month. This difference in rules has two important implications for TTW. First, it will take a much higher earnings level for SSI-only recipients to completely exit cash benefits and generate outcome payments for ENs. Second, SSI-only recipients who remain on cash benefits can still generate savings to SSA as long as TTW induces them to increase their earnings above what they would have been in the absence of the program.

There are also three other key differences between DI and SSI, but those differences have less impact on these calculations. These differences are that there is no trial work period for the SSI-only recipients, TTW Phase 2 milestone and outcome payments are lower for SSI-only recipients, and outcome payments are spread out over 60 months for SSI-only recipients, but just 36 months for DI or concurrent beneficiaries.

To capture potential savings from SSI-only recipients who exit cash payments and from those who increase their earnings but not by enough to go to zero benefits, the analysis uses two reference scenarios (Exhibits 8 and 9). Each scenario generally conforms to a series of actions under which the SSI participants have the minimum earnings required to generate the full sequence of milestone and outcome payments as quickly as possible. In one scenario, the beneficiaries ultimately have enough earnings to exit cash benefits. In the other, their earnings are increased to only the SGA level, so benefits continue, but at a reduced level. In the scenario where beneficiaries exit cash benefits observed time patterns at which beneficiaries return to cash benefit are used to project future savings and costs. Specifically, half of SSI-only recipients who exit cash benefits under TTW return to benefits within a year. After that, the fraction of beneficiaries off of cash benefits declines at a slower rate during the next three years (Exhibit 7). In the second scenario, where SSI-only recipients increase their earnings but do not exit cash benefits, a rate of job loss is assumed as is an associated

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<sup>30</sup> An assumption that net benefits all occur in the middle of each year and are discounted to the start of the 10-year accounting period has been made.

<sup>31</sup> A basic description of the treatment of earnings for SSI beneficiaries covered by Section 1619 is presented in SSA (2012).



earnings decline that corresponds with the rate at which beneficiaries return to the cash benefits in the first scenario.

**Exhibit 8. Earnings and Their Effects on SSI Cash Payments and TTW Payments to ENs for SSI-Only Recipients Who Exit Cash Payments (SSI Reference Scenario 1)**

Years	Months	Earnings	SSI Payment Change from Level Before Employment	TTW Payments to EN
Year 1	1	\$350	Reduction of \$132.50 (\$350-\$85)/2	Phase 1 milestone 1 (\$1,211)
Year 1	2-10	\$700/month	Reduction of \$307.50 a month	Phase 1 milestones 2-4 (\$1,211 x 3 = \$3,633)
Year 1	11-12	\$980/month (SGA)	Reduction of \$447.50 a month	Phase 2 milestones 1-2 (\$207 X 2 = \$414)
Year 2	1-12	50 percent of participants earn enough to reduce SSI benefits to zero; 50 percent stop working and return to earlier benefit level	50 percent have zero benefits; 50 percent have benefits at the pre-work level	Phase 2 milestones 3-14 (12 X \$207) + Outcome payments 1-12 (12 X \$207) = <b>\$4,968</b> for 50 percent of participants
Year 3	1-12	40 percent of participants earn enough to reduce SSI benefits to zero; an additional 10 percent stop working	40 percent have zero benefits; 60 percent have benefits at the pre-work level	Phase 2 milestones 15-18 (4 X \$207) + Outcome payments 13-24 (12X\$207) = <b>\$3,312</b> for 40 percent of participants
Year 4	1-12	30 percent of participants earn enough to reduce SSI benefits to zero; an additional 10 percent stop working	30 percent have zero benefits; 70 percent have benefits at the pre-work level	Outcome payments 25-36 (12 X \$207) = <b>\$2,484</b> for 30 percent of participants
Year 5	1-12	30 percent of participants earn enough to reduce SSI benefits to zero	30 percent have zero benefits; 70 percent have benefits at the pre-work level	Outcome payments 37-48 (12 X \$207) = <b>\$2,484</b> for 30 percent of participants
Year 6	1-12	30 percent of participants earn enough to reduce SSI benefits to zero	30 percent have zero benefits; 70 percent have benefits at the pre-work level	Outcome payments 49-60 (12 X \$207) = <b>\$2,484</b> for 30 percent of participants
Years 7-10	1-12	30 percent of participants earn enough to reduce SSI benefits to zero	30 percent have zero benefits; 70 percent have benefits at the pre-work level	No more outcome payments available



**Exhibit 9. Earnings and Their Effects on SSI Cash Payments and TTW Payments to ENs for SSI-Only Recipients Who Increase Earnings but Continue to Receive SSI (SSI Reference Scenario 2)**

Years	Months	Earnings	SSI Payment Change from Level Before Employment	TTW Payments to EN
Year 1	1	\$350	Reduction of \$132.50: $(\$350 - \$85)/2$	Phase 1 milestone 1 (\$1,211)
Year 1	2-10	\$700/month	Reduction of \$307.50 a month: $(\$700 - \$85)/2$	Phase 1 milestones 2-4 ( $\$1,211 \times 3 = \$3,633$ )
Year 1	11-12	\$980/month (SGA)	Reduction of \$447.50 a month: $(\$980 - \$85)/2$	Phase 2 milestones 1-2 ( $\$207 \times 2 = \$414$ )
Year 2	1-12	50 percent continue working at \$980/month (SGA); 50 percent stop working	Reduction of \$447.50 a month for 50 percent of participants; 50 percent return to original benefits level	Phase 2 milestones 3-14 ( $\$207 \times 12 = \$2,484$ ) for 50 percent of participants
Year 3	1-12	40 percent continue working at \$980/month (SGA); an additional 10 percent stop working	Reduction of \$447.50 a month for 40 percent of participants; 60 percent have returned to original benefits level	Phase 2 milestones 15-18 ( $\$207 \times 4 = \$828$ ) for 40 percent of participants
Years 4-10	1-12	30 percent continue working at \$980/month (SGA)	Reduction of \$447.50 a month for 30 percent of participants; 70 percent have returned to original benefits level	No more milestone payments available

Each SSI-only recipient who follows the first of the two scenarios and moves to zero cash benefits would generate a net savings to SSA of almost \$10,700 (Exhibit 10). Those following the second scenario would each generate savings worth just over \$12,200 (Exhibit 11). In either case, the assumption has been made that in the absence of TTW, these beneficiaries would have continued to receive average annual SSI payments of \$6,637, which is the annualized monthly payment amount for SSI-only recipients who assigned their Tickets.

Under the two scenarios, SSI-only recipients who increase their earnings but do not exit cash benefits could generate substantially more savings than those who actually stop getting cash benefits. This difference reflects the fact that SSA would obtain savings when SSI-only recipients increase their earnings, but would not make any outcome payments for SSI-only recipients who did not exit cash payments (although SSA would have to make milestone payments to ENs).

**Exhibit 10. Present Value of an SSI-Only Recipient Leaving Cash Benefits**

Year	SSI Payment in the Absence of TTW (\$)	Average SSI Payment Under TTW (\$)	TTW Milestone/ Outcome Payments to ENs (\$)	Net Savings (\$)	Discount Factor (2.2 percent)	Net Present Value (\$)
1	6,637	2,842	5,258	(1,463)	0.989	(1,447)
2	6,637	3,319	2,484	835	0.968	808
3	6,637	3,982	1,325	1,330	0.946	1,259
4	6,637	4,646	745	1,246	0.926	1,154
5	6,637	4,646	745	1,246	0.906	1,129
6	6,637	4,646	745	1,246	0.886	1,104
7	6,637	4,646	0	1,991	0.867	1,726
8	6,637	4,646	0	1,991	0.848	1,688
9	6,637	4,646	0	1,991	0.829	1,652
10	6,637	4,646	0	1,991	0.811	1,616
<b>Total</b>						<b>10,687</b>

Note: These calculations use the assumptions embodied in the first of the two SSI reference scenarios (shown in Exhibit 8). In addition, an annual discount rate of 2.2 percent is used to compute the present value.

**Exhibit 11. Present Value of an SSI-Only Recipient Increasing Earnings but Not Leaving Cash Benefits**

Year	SSI Payment in the Absence of TTW (\$)	Average SSI Payment to Those Who Stop Working with TTW (\$)	Average SSI Payment to Those Who Continue Working with TTW (\$)	Total Average SSI Payments with TTW (\$)	TTW Milestone- Outcome Payments to ENs (\$)	Net Savings (\$)	Discount Factor (2.2 percent)	Net Present Value (\$)
1	6,637	na	2,842	2,842	5,258	(1,463)	0.989	(1,447)
2	6,637	3,319	634	3,952	1,242	1,443	0.968	1,396
3	6,637	3,982	371	4,353	331	1,953	0.946	1,848
4	6,637	4,646	278	4,924	0	1,713	0.926	1,586
5	6,637	4,646	278	4,924	0	1,713	0.906	1,552
6	6,637	4,646	278	4,924	0	1,713	0.886	1,518
7	6,637	4,646	278	4,924	0	1,713	0.867	1,485
8	6,637	4,646	278	4,924	0	1,713	0.848	1,452
9	6,637	4,646	278	4,924	0	1,713	0.829	1,421
10	6,637	4,646	278	4,924	0	1,713	0.811	1,390
<b>Total</b>								<b>12,201</b>

Note: These calculations use the assumptions embodied in the second of the two SSI reference scenarios (shown in Exhibit 9). In addition, an annual discount rate of 2.2 percent is used to compute the present value.

As was the case for DI beneficiaries who assign Tickets, some SSI-only recipients participating in TTW would have left cash payments or increased their earnings in the absence of TTW. As a result, when we use these estimates to compute the number of people who must leave SSI cash payments in order for TTW to be self-financing, we have to consider the extent to which TTW leads to a net increase in the number who exit cash payments.

Although the analysis observes the number of SSI-only recipients in TTW who exit cash payments, it was not possible to estimate the extent to which these participants *increased* their earnings because of TTW. As a result, there is no direct empirical evidence about how many SSI-only recipients in TTW would fall into each of the two SSI reference scenarios. As a starting point for the analysis, we assumed that 90 percent of the SSI-only recipients who generate savings to SSA will do so under the second SSI reference scenario, where they increase their earnings but do not exit cash payments. The other 10 percent who generate savings would do so by exiting SSI payments. Given the substantially higher levels of earnings required for SSI-only recipients to exit cash payments, this distribution, which assumes that many more SSI recipients increase their earnings in response to TTW than go as far as exiting cash payments altogether, seems a reasonable place to start. With this distribution of SSI-only recipients between the two SSI reference scenarios, the average savings for an SSI-only recipient who does generate savings to SSA would be \$12,050.

The savings projected under the two scenarios differ by only 14 percent (or \$1,514 per beneficiary), so the final conclusions about whether TTW is self-financing are not substantially affected by how many SSI-only recipients leave cash payments relative to those who increase their earnings enough to generate all Phase 1 milestones, but not enough to exit cash payments. For example, if the assumption was reversed so that 90 percent of the successful SSI-only recipients exit cash payments (rather than the 10 percent assumed above), it would change the estimated savings by just \$1,211, or approximately 10 percent.

### **C. Sensitivity of Net Savings Estimates to Changes in Underlying Assumptions**

The benchmark estimates of savings per beneficiary newly induced by TTW to exit cash benefits are \$18,363 for DI beneficiaries and an average of \$12,050 for SSI-only recipients (under the assumption that 90 percent of the SSI-only recipients generating savings do so by increasing earnings, but not actually exiting cash payments). Before proceeding to assess the implications of these figures for determining the number of new exits TTW must induce to be self-financing, it is important to understand how sensitive the figures are to changes in the assumptions and estimates that underlie them. This sensitivity is illustrated by examining the extent to which the two net savings estimates change in response to changing each of the major underlying assumptions or estimates (Exhibit 12).

The choice of discount rate has a relatively modest effect on the estimated net savings per new exit from cash benefits, at least for values within the range currently recommended by OMB. Raising the discount rate means that net benefits occurring in the future have lower values in the benchmark calculations. This reduces the present value of the net savings for SSI and DI beneficiaries because a substantial share of the benefits occur in the second half of our 10-year accounting period while many of the costs occur during the first half. For example increasing in the discount rate almost 50 percent from 2.2 to 3 percent (which is slightly higher than the range of rates currently proposed by OMB) would cut the estimated net savings per DI beneficiary just 5.6 percent from \$18,363 to \$17,330 (if all other underlying assumptions and estimates are left unchanged). Similarly, the estimated average net savings from SSI beneficiaries would fall 4.7 percent to \$11,484 if the discount rate was raised to 3 percent. Reducing the discount rate 36 percent to just one percent, which is at the low end of the range proposed by OMB, would increase the estimated net savings by 7 to 9 percent.

**Exhibit 12. Alternative Estimates of Net Savings per Exit**

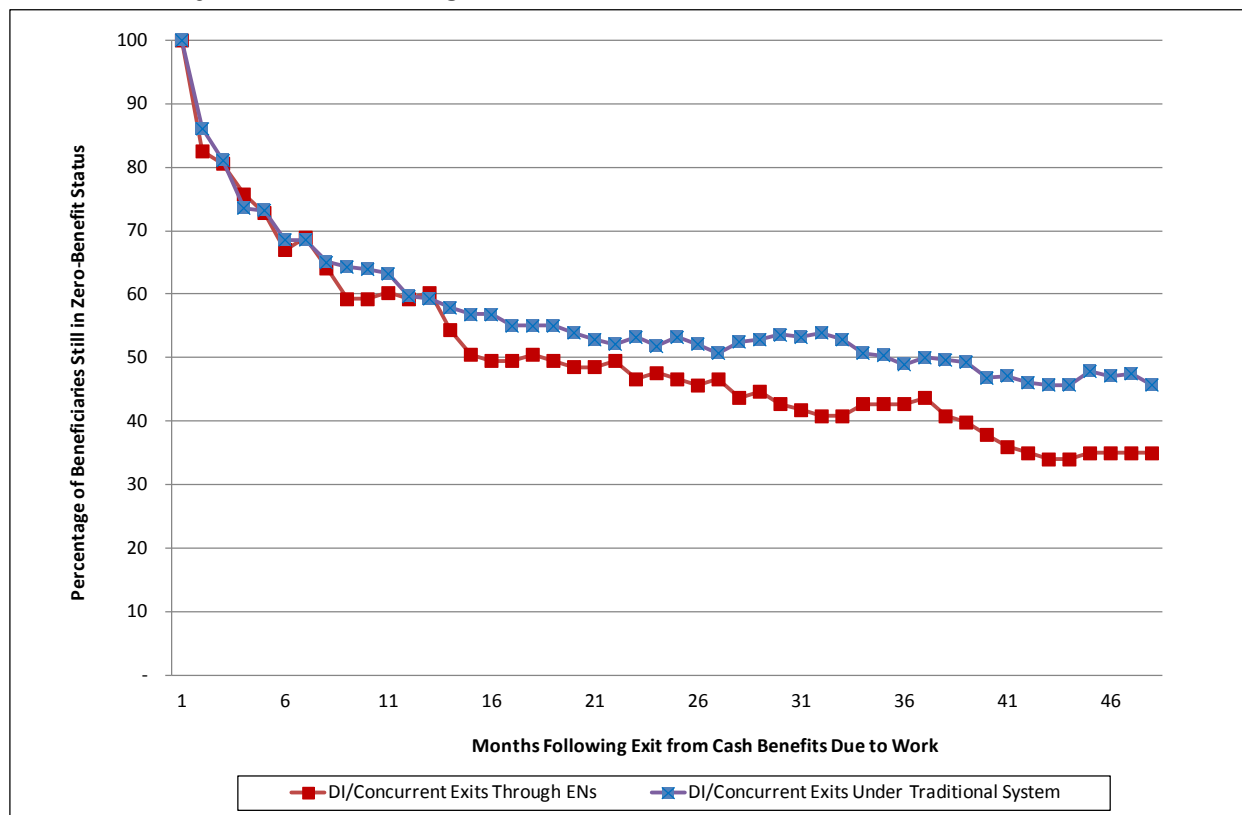
Change from Reference Scenario Assumptions	Savings per DI or Concurrent Beneficiary Exit (percent change from benchmark)	Savings per SSI-only Recipient Exit <sup>a</sup> (percent change from benchmark)
Benchmark estimates based on reference scenarios	\$18,363	\$12,050
<b>Discount Rate</b>		
Discount rate is 3 percent (rather than 2.2 percent)	\$17,330 (-5.6%)	\$11,484 (4.7%)
Discount rate is 1 percent (rather than 2.2 percent)	\$20,024 (9.0%)	\$12,957 (7.5%)
<b>Maximum Return Rate</b>		
80 percent (rather than 70 percent) of participants who exit cash benefits ultimately return	\$12,600 (-31%)	\$9,107 (-24.4%)
60 percent (rather than 70 percent) of participants who exit cash benefits ultimately return	\$24,758 (34.8%)	\$15,506 (28.7%)
<b>Return Speed</b>		
Participants who exit cash benefits return to cash benefits at a 30 percent rate the first year, then 10 percent in the following years	\$22,489 (22.5%)	\$15,011 (24.6%)
Participants who exit cash benefits return to cash benefits at a 40 percent rate the first year, then 10 percent in the following years	\$19,919 (8.5%)	\$13,278 (10.2%)
<b>Length of Accounting Period</b>		
9 years	\$15,638 (-14.8%)	\$10,637 (-11.7%)
8 years	\$12,852 (-30.0%)	\$9,193 (-23.7%)
5 years	\$4,117 (-77.6%)	\$4,732 (-60.7%)
<b>SSI Recipient Mix: 90 percent of SSI-only participants who increase earnings exit cash payments rather than just 10 percent doing so</b>	\$18,363 (0.0%)	\$10,839 (10.0%)

<sup>a</sup>Unless otherwise specified, this total column assumes that 90 percent of SSI-only recipients who generate savings to SSA will do so because they increase their earnings but do not exit cash payments; the other 10 percent who generate savings would do so by exiting cash payments.

In contrast, the extent to which beneficiaries who exit cash benefits subsequently return to active payment status has an important effect on the calculations. For example, if 80 percent (rather than the 70 percent we have assumed) of participants who exit subsequently return, the estimated net savings per DI exit would be approximately 31 percent less than our benchmark estimate (\$12,600 rather than \$18,363). Because most of the estimated net savings per SSI-only recipient come from participants who increase earnings but do not exit cash payments entirely, that estimate is reduced only by 24 percent (from \$12,049 to \$9,107). At the same time, if new TIW features such as partnership plus enable more participants to remain off cash benefits so that only 60 percent return, then the estimated net savings would be correspondingly larger (35 percent higher for DI beneficiaries and 29 percent for SSI-only recipients).

Although it is clear that many TTW participants who exit cash benefits will return, the assumption that 30 percent will be off 10 years after their initial exit is at least plausible given the pattern observed for the early participant cohort where 30 percent of DI participants were off 4 years after their initial exit (Exhibit 7). Furthermore, although about 35 percent of the DI participants who exit with EN assistance were observed to be off the rolls after 4 years, the experience under the traditional system is better: approximately 47 percent of those assisted by SVRAs under the traditional payment system were off 4 years after their initial exit (Exhibit 13). While the beneficiaries served by ENs and SVRAs differ substantially (Schimmel and Stapleton 2011), the fact that a substantial fraction of those who exit are off four years after their initial exit suggests that some level of long-term exit is plausible. In addition, the introduction of partnership plus may increase the success of TTW and induce long-term exits. Also, it seems quite plausible that TTW will induce ENs to enroll those beneficiaries with the greatest potential to permanently exit cash benefits. Hence, long-term exit rates of 30 percent seem like a reasonable basis for assessing TTW in the absence of more extensive follow-up data. Nevertheless, given the extent to which the results are sensitive to this return percentage, SSA should monitor this statistic closely.

**Exhibit 13. Observed Percentages of DI and Concurrent Beneficiaries Served by SVRAs and ENs Off Cash Benefits by Month After Exiting Cash Benefits**



Source: Tabulations from TRF07 (see Stapleton et al. 2010a, Table A.3, for details of the file and analysis of measures of beneficiaries leaving cash benefits due to work).

The estimated net savings per exit are also influenced by the rate at which beneficiaries who exit cash benefits return. For example, if TTW could slow the observed return rate so that only 30 percent of exiting participants were to return in the first year rather than the 50 percent who returned in the 2002 TTW cohort, it would increase estimated net savings by about 25 percent (the

estimate for DI participants would rise from \$18,363 to \$22,489 while the corresponding estimate for SSI participants would rise from \$12,049 to \$15,011). This suggests that TTW could generate a substantial payoff even if it merely slowed the rate at which beneficiaries who exit cash benefits return (this holds even if the same percentage of beneficiaries ultimately return). This rate is therefore another factor SSA should track as ENs gain more experience under the more recent TTW regulations.

The length of time over which net benefits are tracked is probably the most important determinant of the net savings per exit. For example, reducing the accounting period by just a year would reduce the estimated net savings per DI beneficiary by almost 15 percent. Reducing the period to just 5 years would reduce savings by 75 percent. Thus, the results are highly sensitive to the use of a 10-year accounting period.

The 10-year period has a lot of appeal given the design of TTW where it can take more than 5 years to make all the outcome payments even when an EN enables a beneficiary to work continuously after exiting cash benefits. Furthermore, TTW aims to promote long-term economic self-sufficiency and predominantly serves beneficiaries who are more than 10 years from retirement age. Nevertheless, TTW has not been in operation long enough to provide an empirical basis for judging the likely 10-year patterns of costs and savings. The benchmark estimates provide a reasonable basis for assessing long-term savings and costs, but, again, this is something SSA will have to monitor closely as they make decisions about the program's future.

As noted earlier, the bottom line conclusion is not materially affected by assumptions about the percentage of SSI beneficiaries in TTW who exit cash benefits relative to the percentage who increase earnings but not by enough to exit cash benefits. The key factor in the calculation is that the beneficiaries earn above the SGA level, that is, they earn enough to generate milestone payments (see Exhibits 8 and 9). In that case, their benefits are reduced and they generate savings to the SSI program even if they continue to receive some cash benefits. Also, beneficiaries who continue to receive cash benefits do not generate any outcome payments for the ENs that serve them, thus saving SSA outcome payments that would be paid in cases where beneficiaries exit cash benefits.

One interesting factor affecting whether TTW is self-financing is that many ENs appear to receive fewer outcome payments than which they were entitled (Schimmel and Stapleton 2011). Specifically, it appears that ENs actually received outcome payments in only 40 percent of the months in which TTW participants were not receiving cash benefits and should have generated a payment. The main reason is that the provider did not file a claim. SSA has since implemented payment process changes that will likely increase the likelihood of payments to providers when their clients' are not receiving cash benefits because of work, and more changes may be considered in the future. This payment pattern, where the EN only obtains a fraction of the payments to which they may be entitled, is inconsistent with the intention of TTW, and so has been ignored in determining whether it can be self-financing. As a result, the outcome payment costs included in the analysis are higher than those actually incurred by TTW, and the net savings generated by an exit are understated. This treatment seems reasonable because the issue will presumably become smaller as SSA modifies the outcome payment process.

#### **IV. BENEFICIARY EXITS REQUIRED FOR TICKET TO WORK TO BE SELF-FINANCING**

TTW seeks to generate savings by assisting beneficiaries to exit cash benefits. To cover its costs, the program must induce enough new beneficiary exits to cover three types of costs. First, it must generate enough savings to offset the \$32 million in operational costs. Second, it must offset the approximately \$4.5 million in costs for TTW participants who earn enough to generate milestone payments but remain on cash benefits and therefore do not generate any savings in reduced benefits payments or costs for TTW outcome payments. Finally, it has to generate enough net savings to offset payments made to ENs for beneficiaries who would have exited cash benefits even in the absence of TTW. In Exhibit 2, the savings generated by the newly induced exits (box **c**) must offset the operational costs and the net costs incurred to pay for the exits that would have happened independently or through the traditional SVRA program in the absence of TTW (boxes **a\*** and **b\***).

The required number of new exits is conceptually straightforward to calculate by dividing total annual costs by the average net savings per beneficiary who is newly induced to exit cash benefits. In practice, however, the calculation is complicated by the fact that there are no accurate estimates of the Ticket payments SSA makes for participants who would have exited cash benefits even without TTW. That is, we can observe the total number of beneficiaries who exit each year (**a\* + b\* + c**) and the total associated Ticket expenditures, but not the distribution of beneficiaries among the groups designated by **a\***, **b\***, and **c**. The analysis therefore computes the minimum number of new exits required to cover the \$36.6 million in costs for operations and milestone-only beneficiaries, and then estimates a plausible range of additional new exits required to cover payments for beneficiaries who would have left in the absence of TTW.

##### **A. New Exits Required to Cover Costs for Operations and Milestone-Only Beneficiaries**

Chapter III concludes that TTW can save \$18,363 for every additional DI beneficiary that it assists to exit cash benefits. Similarly, it can generate savings of \$12,049 for each new SSI-only recipient exit. If we weight those two figures to account for the fact that 89 percent of the TTW participants who exited cash benefits were DI beneficiaries (Schimmel and Stapleton 2011), the weighted average savings per additional exit would be \$17,669.

Additional exits are measured relative to the number of DI and SSI beneficiaries who would have exited cash benefits in the absence of TTW, which would be represented by the two boxes in Exhibit 1 or by the corresponding two boxes in Exhibit 2, including the parts marked **a** and **b**.

At an average savings of \$17,669, TTW would have to induce an additional 2,070 beneficiary exits to generate enough savings to cover the approximately \$36.6 million in annual TTW costs for operations and milestone-only beneficiaries. Given the uncertainty surrounding the estimated savings per exit, it is useful to examine the implications of higher and lower values. If the average savings per exit was 20 percent higher, only 1,724 exits would be required. Alternatively, if average savings were 20 percent lower, 2,586 exits would be required. Although costs are measured with greater precision than savings, there is still some uncertainty about costs for claims representatives' time and any changes in SSA staff productivity over time. In general, lower costs would be offset by fewer additional exits while higher costs would require more exits. More specifically, if costs for operations and milestone-only cases were 20 percent higher than estimated (\$44 million a year rather



than \$36.6 million) it would take 2,526 exits a year for the program to be self financing. Thus, it seems that SSA could be reasonably sure of covering this component of TTW costs if there were 1,700 to 2,600 newly induced exits each year.

## **B. New Exits Required to Cover Payments to ENs on Behalf of Beneficiaries Who Would Have Exited Without TTW**

As illustrated in Exhibits 1 and 2, introducing TTW can lead to SSA making Ticket payments on behalf of two types of beneficiaries who would have left cash benefits even in the absence of TTW. These groups are represented by the boxes **a\*** and **b\*** in Exhibit 2, and affect SSA's costs in opposite ways.

To the extent that SSA pays ENs for beneficiary exits that otherwise would have occurred without SSA-financed assistance (that is, for beneficiaries represented by box **a\*** in Exhibit 2), the agency will incur an estimated \$11,500 in new costs. These costs represent the milestone and outcome payments made to beneficiaries who exit cash benefits with EN assistance.<sup>32</sup> Because these beneficiaries would have exited anyway, there are no corresponding savings in reduced benefit payments to offset the Ticket costs.

In contrast, using average values, SSA would save approximately \$2,500 when it pays ENs for exits that otherwise would have occurred through SVRAs paid under the traditional system (group **b\*** in Exhibit 2). This savings reflects the fact that the traditional payment system pays an average of \$14,035 (SSA 2010a) for every beneficiary that an SVRA assists to work at the SGA level for 9 months in a 12 month period, even if those beneficiaries subsequently return to cash benefits (or never left cash benefits in the first place). SSA would make Ticket payments for these beneficiaries if they now exit with EN rather than SVRA assistance, but as just discussed, those costs would be expected to total only \$11,500. The \$2,535 difference represents the savings SSA receives when it pays for exits under the new TTW system, which makes outcome payments only while beneficiaries remain off of cash benefits, rather than under the traditional payment system.

The net effect of these types of exits on TTW financing would depend on the relative sizes of the two groups. If the only beneficiaries TTW diverts from other exit paths are those who would have exited under the traditional payment systems (that is, if there are just **b** to **b\*** moves and no moves from **a** to **a\***), then it will increase the savings generated by the program. If ENs have no effect on SVRA exits, but took tickets from cases that otherwise would have exited without any SSA-financed assistance, then TTW would have to generate extra new exits beyond those required to offset costs for operations and the milestone-only cases. Generally speaking, ENs would have to generate approximately 7 additional new exits (with savings of \$17,669 each) to cover TTW costs for every 10 beneficiaries the program helped exit who would have done so even without TTW (who would generate \$11,500 in costs each). That is, the 7 new exits would be expected to generate a total of \$123,683 in savings, which would be just enough to offset the \$115,000 in extra costs associated

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<sup>32</sup> The calculations assume that these beneficiaries return to cash benefits in the same general fashion as others who exit with EN assistance. In this case milestone and outcome payments made to them will be the same as indicated in Exhibits 6, 10, and 11. Reflecting the general observed distribution of TTW participants and exits, we assume that 89 percent of these beneficiaries receive DI and 11 percent SSI. The SSI group is further divided into 90 percent who generate milestone payments but no outcome payments (Exhibit 11) and 10 percent who generate both types of payments (Exhibit 10).



with TTW having to pay ENs for 10 beneficiaries who otherwise would have left cash benefits without SSA-financed assistance.

Ideally, these calculations would be refined to capture the potential effects beneficiary and provider choices have on the average costs of the traditional payment system. In particular, SVRAs can choose to serve beneficiaries under the new milestone-outcome or outcome-only payment systems rather than the traditional payment system. The payment systems give SVRAs an incentive to use the newer TTW payment systems for those beneficiaries likely to require the fewest services in order to exit cash benefits. Furthermore, beneficiaries who seem most likely to switch from an SVRA to an EN would also need the least amount of services and therefore be most attractive to an EN. If this type of selection operates in TTW, the average savings due to reducing the number of beneficiaries who exit under the traditional payment system will be less than the current average cost per claim. Indeed, if the beneficiaries represented by the **b** box in Exhibit 2 are relatively inexpensive for SVRAs to serve, then the savings to the traditional payments system could be far below the average of \$14,035. That would reduce the net savings from shifting exits from the traditional to new TTW systems, and in the extreme could actually increase costs rather than generate savings. This issue is further discussed in the next section.

### C. Could TTW Have Been Self-Financing in 2006?

In 2006, there were 2,679 TTW participants who exited cash benefits and assigned their Tickets to ENs. If all of these beneficiaries were newly induced to exit cash benefits (that is, if all were in the group designated **c**), then TTW would have been self-financing. This would be true even if the net savings per additional beneficiary exit were as much as 20 percent lower than the overall estimate of \$17,669.

Assuming that all exiting participants represent new exits seems overly optimistic, however, because the outreach efforts of SSA, SVRAs, ENs, and others seem highly likely to have convinced some beneficiaries who would have exited cash benefits without TTW to assign their Tickets. TTW can still be self-financing, however, as long as the fraction of exits that would have happened even without TTW remains relatively small. For example, if 80 percent of exiting participants are new exits and the others are mostly beneficiaries who exit after assigning their Ticket to an EN rather than under the traditional SVRA payment system, TTW can generate enough savings to offset its costs (Exhibit 14). In this example, 2,143 of the observed 2,679 total exits (80 percent) would represent additional beneficiaries who exit cash benefits (that is, new exits). Of the rest, 348 (13 percent) would be beneficiaries who would have exited under the traditional payment system for SVRAs and 188 (7 percent) would be beneficiaries who, in the absence of TTW, would have left cash benefits without any SSA-financed assistance. The additional 2,143 new exits would generate total savings of almost \$38 million and the diversion of 348 beneficiaries from the traditional system to the new TTW systems would generate additional savings of over \$880,000. Together those savings would offset the over \$2.2 million in costs for Ticket payments to the 188 beneficiaries who would have otherwise exited without SSA-financed assistance and leave enough additional savings to cover the \$36.6 million in costs for operations and milestone-only cases.

If the fraction of exiting beneficiaries who would have left even without TTW rises (and other factors remain the same), then TTW may increase SSA costs. Such a situation is represented in Exhibit 15 where half of the TTW participants who exit cash benefits would have done so without any financial assistance from SSA and another 25 percent would have exited with SVRA assistance under the traditional program. In that case, TTW would increase overall costs. There would be some

savings from newly induced exits and movements from SVRAs to ENs, but they would fall well short of program costs, including both the \$36.6 million for operations and milestone-only cases and the \$15.5 million in costs generated by having to make milestone and outcome payments to beneficiaries who would have exited even without TTW. That is, if 75 percent of the participants who leave cash benefits under TTW would have done so even in the absence of the program (and two-thirds of those would have done so without any financial assistance from SSA) it would increase total net costs for the program to \$38.5 million (\$36.6 million plus the net increase of \$1.9 million shown in Exhibit 15).

**Exhibit 14. Possible Mix of TTW Participants Who Exit Cash Benefits That Would Make TTW Self-Financing**

Group	Percent of Total	Number in Group	Savings (or Cost) per Participant	Net Savings (or Costs) for Group
a* (would have exited without SSA funding)	7.0	188	(\$11,541)	(\$2,164,305)
b* (would have exited through an SVRA)	13.0	348	\$2,535	\$882,864
c* (new exits)	80.0	2143	\$17,669	\$37,868,201
<b>Total</b>	<b>100.0</b>	<b>2,679</b>		<b>\$36,586,761</b>

Note: Groups are defined in Exhibit 2. Participants in group c would not have exited cash benefits in the absence of TTW. Those in group a\* would have exited without any SSA-financed assistance. Those in group b\* would have exited with assistance from an SVRA that was paid under the traditional system.

**Exhibit 15. Possible Mix of TTW Participants Who Exit Cash Benefits That Would Make TTW Increase SSA Costs**

Group	Percent of Total	Number in Group	Savings (or Cost) per Participant	Net Savings (or Costs) for Group
a* (would have exited without SSA funding)	50.0	1,340	(\$11,541)	(\$15,459,170)
b* (would have exited through an SVRA)	25.0	670	\$2,535	\$1,697,816
c* (new exits)	25.0	670	\$17,669	\$11,833,813
<b>Total</b>	<b>100.0</b>	<b>2,679</b>	<b>—</b>	<b>(\$1,927,541)</b>

Note: Groups are defined in Exhibit 2. Participants in group c would not have exited cash benefits in the absence of TTW. Those in group a\* would have exited without any SSA-financed assistance. Those in group b\* would have exited with assistance from an SVRA that was paid under the traditional system.

More broadly, the relationships illustrated in Exhibits 14 and 15 can be extended into the following general observations:

- The greater the fraction of exiting participants who use ENs rather than SVRAs, the greater the likelihood that TTW will be self-financing.
- The lower the fraction of exiting participants who would have done so without any SSA-financed support, the greater the likelihood that TTW will be self-financing.
- Higher numbers of exiting participants will generate greater savings if the program is well-targeted, but greater costs if the program is poorly targeted.

The first of these observations stems from the estimates that the new TTW payment systems tend to pay, on average, less than the traditional SVRA program does when a beneficiary exits cash benefits. Hence, if more of the exiting TTW participants would have used SVRAs in the absence of the program (that is, they come from Exhibit 2, group **b\***), then there are more savings to offset program costs, including the costs of TTW payments to ENs who enroll beneficiaries that in the absence of TTW would have left benefits without SSA-financed support (group **a\***). This relationship is illustrated in Exhibit 16 under the assumption that 2,700 participants exit. With that number of total exits and no diversions from SVRAs, TTW can be self-financing as long as no more than 14 percent of them would have done so without TTW. As diversions increase, the group that would have exited without TTW (groups **a\*** and **b\***) will contain a mix of beneficiaries who generate savings by using an EN rather than an SVRA and who generate costs by using an EN rather than leaving without any SSA-financed assistance. The presence of savings from cases diverted from SVRAs to ENs means that TTW can be self-financing even if a greater overall fraction of exiting beneficiaries would have exited without TTW. For example, TTW can be self-financing even if 20 percent of the exiting participants would have done so without TTW as long as half of that subgroup represents diversions from SVRAs to ENs.

The second observation is a straightforward reflection of the fact that exiting participants who use ENs rather than leaving without any SSA-financed supports generate costs to SSA. TTW needs to be targeted in a way that avoids attracting too many such beneficiaries (that is, too many beneficiaries in group **a\***).

The third observation indicates how program scale can accentuate the effect of the first two observations (Exhibit 17). If TTW is well targeted so that few beneficiaries who would have left benefits in its absence choose to assign their Tickets, then larger number of exiting participants will generate larger savings. Alternatively, if TTW is poorly targeted and brings in many beneficiaries who would have left even in its absence, larger numbers will generate larger costs. In addition, larger numbers of exiting participants mean that targeting need not be quite so precise. If 10,000 TTW participants exit, then TTW can be self-financing even if as many as half of them would have exited even without TTW. This relationship reflects the fact that the savings generated by new exits would exceed the costs of making payments to participants who would have exited anyway. It also assumes that TTW operational costs would remain constant as enrollment increased. The available cost data from SSA suggests that operational costs are relatively stable at least for modest changes in enrollment and that some increase in enrollment could be accommodated with the current operational costs. If operational costs rise with larger increases in total enrollment, then TTW would have to be more accurately targeted (and generate more savings) than shown in Exhibit 17.

Without accurate measures of the relative size of the three component groups that constitute TTW participants who exit cash benefits, it is not possible to determine precisely whether TTW is self-financing. It seems quite likely that it would take 1,700 to 2,600 newly induced exits each year to cover costs for operations and milestone-only participants. To account for the costs associated with participating beneficiaries who would have exited even without TTW, it seems like total exits in the range of 2,000 to 3,000 is a reasonable tentative target. The next chapter draws on the mix of evidence that is available to provide decision-makers with a general sense of the likelihood that TTW is generating one of the participant distributions that would make it self-financing.

Exhibit 16. Relationship Between Net Savings from TTW, the Fraction of SVRA Cases That Move to ENs, and the Fraction of Exits That Would Have Occurred in the Absence of TTW (2,700 Total Participant Exits)

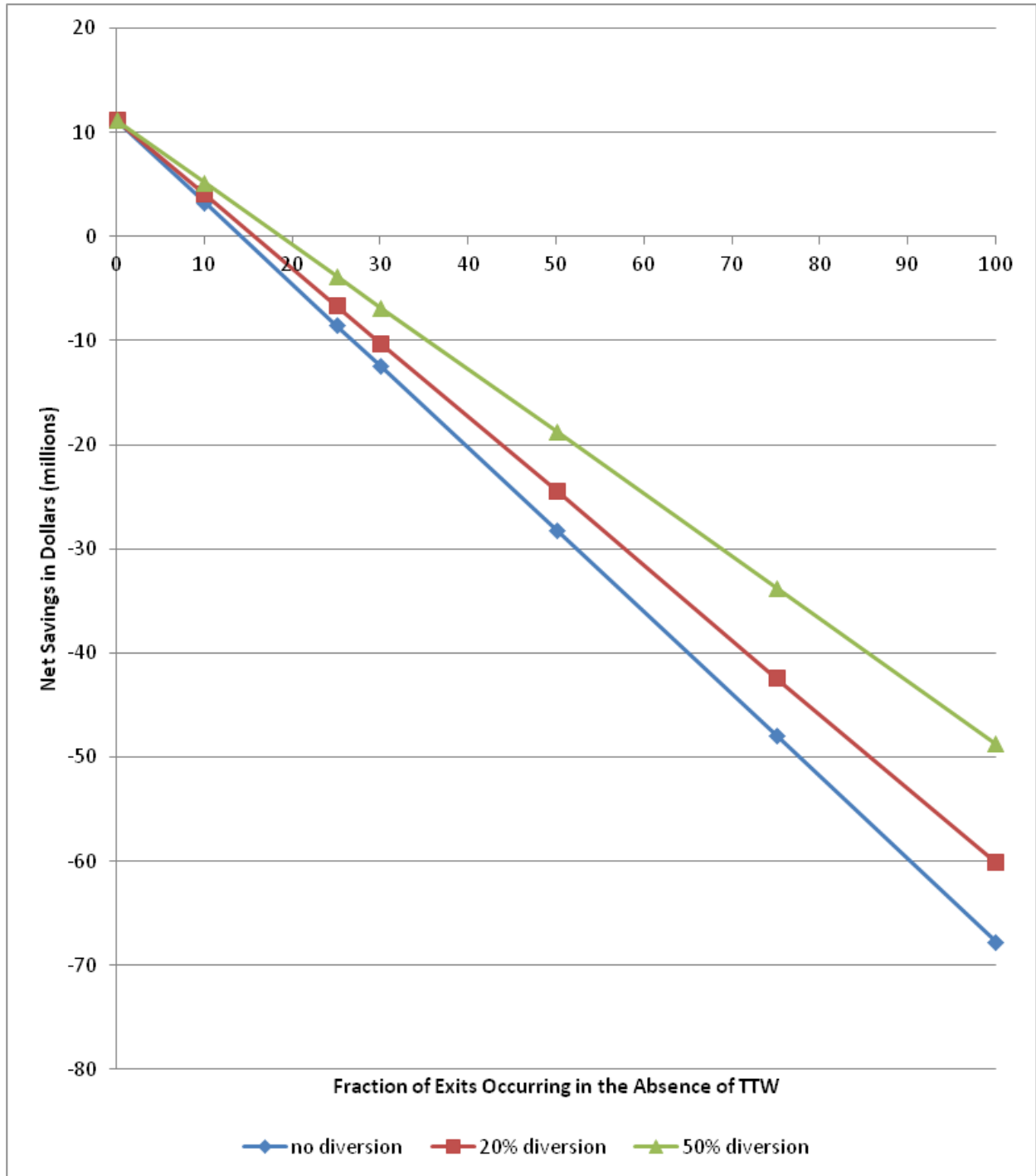
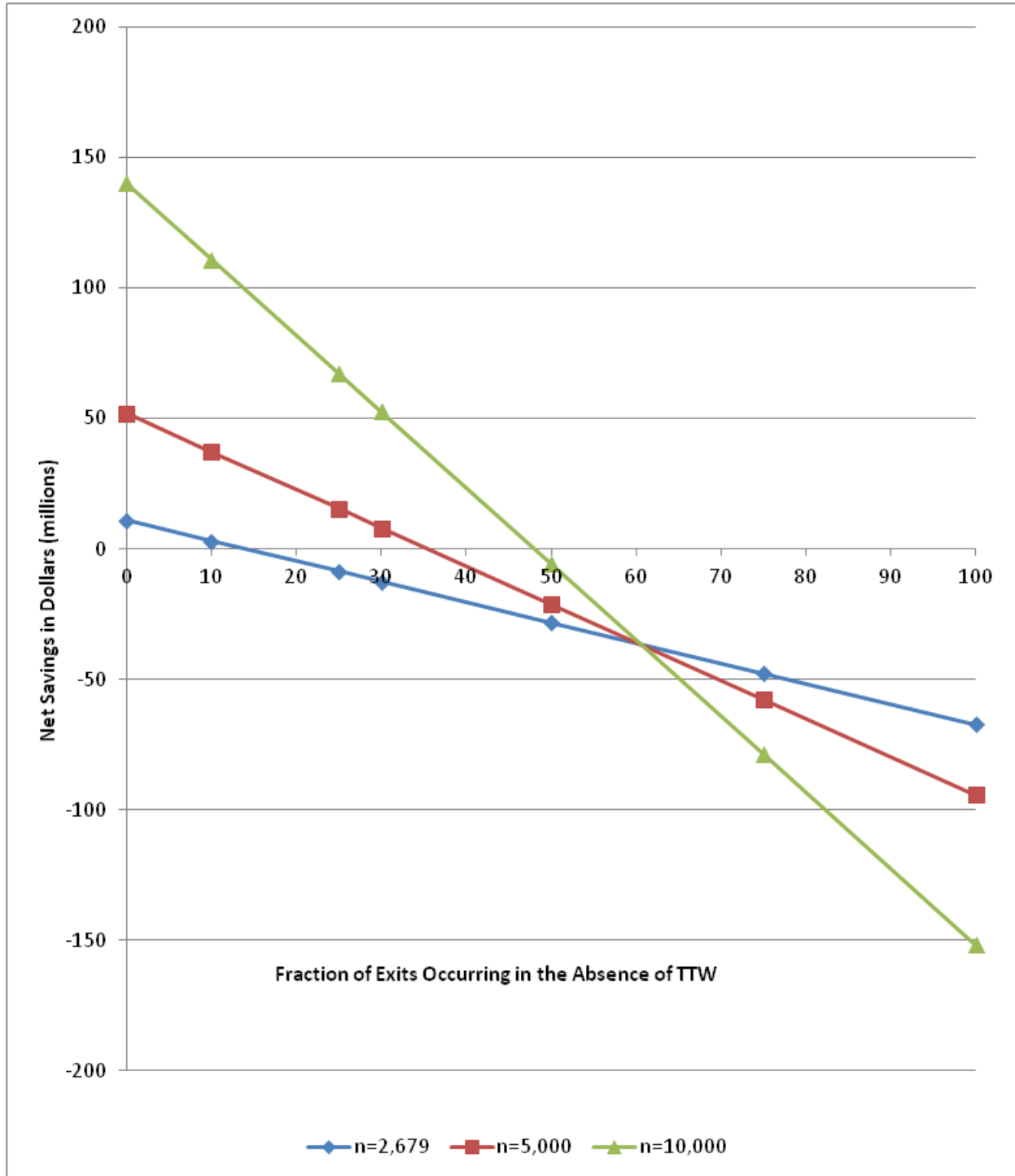


Exhibit 17. Relationship Between Net Savings from TTW, Total Participant Exits, and Fraction of Exits That Would Have Occurred in the Absence of TTW (no SVRA Cases go to ENs)



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## V. CONCLUSIONS AND INTERPRETATIONS

In 2006, approximately 2,700 beneficiaries who participated in TTW exited cash benefits. SSA now faces the question of whether that level of exits, if persisting into 2009, would be enough for the program to be self-financing. The answer depends on the extent to which those exits would have happened in the absence of TTW. Based on cost estimates and savings projections developed in this report, it appears that if 80 percent of those 2,700 exiting beneficiaries are new exits, 13 percent transfers from SVRAs, and just 7 percent beneficiaries who would have exited without SSA-financed assistance, then it is likely that TTW would be self-financing. However, if the fraction of exiting participants who would have otherwise exited without SSA-financed assistance increases much beyond that level, it becomes much less likely that the program will pay for itself. Therefore, SSA must target TTW carefully and avoid drawing in many beneficiaries who do not need the assistance of an EN to leave the rolls if it wants the program to be self-financing.

Accurate estimates of the effect TTW has on beneficiary benefit receipt would have made it straightforward to assess whether there were enough new exits for it to be self-financing. But such estimates are unavailable due to program implementation and the overwhelming challenge of detecting very small impacts in huge populations. Specifically, TTW could probably be self-financing if it increased new exits by 2,000 to 3,000 (based on the estimates presented in Chapter IV). But with 12 million eligible beneficiaries, over 250,000 TTW participants, and 70,000 to 80,000 work-related exits from cash benefits each year, available evaluation methods would be unlikely to detect an impact of that size. As a result, the assessment of whether TTW is self-financing comes down to sorting through the pieces of evidence about the nature of TTW participants who exit cash benefits and what they might have done in the absence of the program. This will help to determine how big TTW effects would have to be for savings to exceed costs and how likely it is that actual effects are big enough to cover these costs.

In considering that evidence, it is useful to start by noting that TTW could be self-financing even if it made a far smaller change in beneficiary behavior than envisioned when the Ticket Act was passed. The congressional discussion at that time expressed a hope that TTW could double the rate at which beneficiaries left cash benefits because of work. Because 70,000 or so beneficiaries annually exited cash benefits for the first time prior to TTW, that discussion implies that there was hope that ENs would help with the exit of at least that many additional beneficiaries. Although the 70,000 beneficiary target remains a laudable goal, the program could be self-financing even if it increases beneficiaries exit by a much smaller amount. As noted, TTW could be self-financing if only 2,000 to 3,000 more beneficiaries exited, so long as the program did not make payments to ENs for many beneficiaries who would have left cash benefits even without TTW. That would be an increase of just 4 percent rather than the 100 percent discussed in 1999.

The first piece of evidence suggesting that TTW may be able to generate enough additional beneficiary exits to be self-financing comes from the second round of evaluation impact findings (Stapleton et al. 2008). Using data from the first two years of the program, they reported that during the first post-rollout year 3,100 beneficiaries enrolled with ENs who would not have done so in the absence of TTW (they also estimated that 32,000 beneficiaries enrolled with SVRAs who would not have done so in the absence of TTW).

That impact on EN service enrollment is encouraging because it is the precursor to subsequent increases in employment and reductions in benefit receipt. By itself, however, this increase in service

use is too small to provide confidence that TTW is generating enough new exits to be self-financing. TTW must induce 2,000 to 3,000 additional beneficiaries to exit cash benefits each year in order to be self-financing. If the observed increase for the first post-rollout year was repeated in each year, then 70 percent of them would have to exit cash benefits in any given year for TTW to be self-financing even if the program had been sufficiently well targeted that none of those 70 percent would have exited cash benefits in the absence of TTW. Generally, the evaluation has found that about 20 percent of all TTW participants go on to exit cash benefits (Schimmel and Stapleton 2011). That suggests that unless newly induced TTW participants have a much higher success rate than average, new EN assignments had not reached the level required for the program to be self-financing during its first post-rollout year. So, although the observed early increase in service enrollment is an encouraging sign, SSA should continue to monitor enrollments for signs that ENs are enrolling enough participants to account for 2,000 to 3,000 additional annual exits from cash benefits.

The next piece of evidence comes from the collective findings of six prior employment-support demonstrations that targeted disability beneficiaries and had rigorous evaluations.<sup>33</sup> Rangarajan et al. (2008) review the findings from those demonstrations and report that several employment support programs have been able to increase use of training to generate corresponding increases in employment for DI and SSI beneficiaries. The largest observed effect on employment was a 63 percent increase for young beneficiaries with intellectual disabilities who were enrolled in the Structured Training and Employment Transitional Services demonstration. Two other SSA-funded demonstrations had more modest effects. The Transitional Employment Training Demonstration (TETD) and the New York site of the State Partnership Initiative both reported increases in the percentage of the study population employed of approximately 20 percent. Thus, there is a body of evidence supporting the notion that receipt of employment services can assist DI and SSI beneficiaries to become successfully employed.

However, none of the programs Rangarajan et al. reviewed reported more than a trivial reduction in benefit payments. The absence of such a finding may reflect the fact that most of these studies followed sample members for no more than two and a half years. That length of follow-up may not have allowed sufficient time for the beneficiaries to exhaust the work incentives and benefit protections DI and SSI provide and to go on to exit cash benefits.<sup>34</sup> The overall impression from the prior research is that, although it is possible to have substantial effects on employment, it appears to be much more difficult to induce beneficiaries to leave cash benefits, particularly in the short term.

TTW offers some hope of producing a greater impact on benefit receipt than the prior demonstration interventions because it differs from previously tested employment-support approaches in an important way. Unlike prior demonstrations, TTW tries to stimulate a market for employment-support services rather than offering a specific intervention. In so doing, it is essentially paying providers to help beneficiaries leave cash benefits rather than just paying for employment

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<sup>33</sup> These evaluations were structured as experiments where eligible beneficiaries were assigned to the intervention or control group randomly. As a result, these findings have very strong internal validity. However, their enrollment processes differ substantially from that of TTW, so it is unclear whether their results generalize well to TTW.

<sup>34</sup> The one exception to the limited follow-up is the TETD evaluation, which followed its sample of SSI beneficiaries for six years after enrollment. That evaluation found strong and consistent earnings gains that persisted for the full six years, but only very small reductions in SSI benefits.



assistance. That is, TTW pays for the desired outcome, a successful move from benefit receipt to employment, rather than for an input (training services) to the associated transition process.

TTW also encourages a matching process whereby ENs look for the beneficiaries they can best assist while beneficiaries look for ENs (or their SVRA) in search of their best options. It is the matching process that makes it difficult to know what the 2,700 or so participants who exit would have done without TTW.

Survey data suggest that EN participants differ substantially from beneficiaries who assign their Tickets to SVRAs and from the vast majority of beneficiaries who do not pursue employment. In addition, the TTW impact evaluation suggests that enrollment in service programs, including SVRAs and ENs, was increased due to TTW (Stapleton et al. 2008). So, there is a distinct possibility that beneficiaries who exit with EN assistance are new entrants to the employment assistance system who would not have exited without TTW. But, there is also the possibility that the outreach SSA and ENs made to beneficiaries led many of those who would have exited without any SSA-financed assistance to assign their Tickets to an EN instead.

More broadly, careful targeting, a modest increase in beneficiary exits, and maintaining operations costs at near their 2009 level would make it more likely that TTW can be self-financing. Targeting is required to keep the fraction of exiting participants who would have done so without any SSA-financed support, to modest levels. Increases in participant exits for a well-targeted program further increase the likelihood of TTW generating enough savings to offset its costs (including payments to ENs for beneficiaries who would have exited even without TTW). Finally, although annual TTW operations costs have varied since its inception, it appears that those costs are not particularly sensitive to increases in beneficiary exits, at least for modest increases in program scale. That is, although payments to ENs would rise with beneficiary exits, SSA's current operational structure appears to have the capacity to support somewhat larger levels of TTW activity without proportional increases in costs.

The partnership plus option was undertaken to improve TTW success. This option pays SVRAs for helping beneficiaries obtain substantial gainful employment and then enables those beneficiaries to assign their Tickets to an EN in order to get services that will help them maintain employment. ENs that accept such Tickets are eligible to receive all Phase 2 milestone payments and all outcome payments, but not Phase 1 milestone payments. The traditional payments averaged just over \$14,000 per beneficiary in fiscal year 2009, and are made when a beneficiary successfully enters employment. When added to the total milestone and outcome payments available in 2009 under partnership plus (Exhibit 5) total payments to an SVRA and EN, helping a DI participant exit cash benefits for at least three years, would thus total more than \$31,000 compared with \$21,905 under the straight milestone-outcome system.

Whether this option enables TTW to be self-financing depends on the balance between two competing sets of factors. The option may increase the chances of the program being self-financing by increasing TTW participation, and hopefully the number and duration of annual exits. However, it may make self-financing less likely by increasing up-front payments for beneficiaries who return to work and by attracting more beneficiaries who would have exited cash benefits in the absence of TTW.

The higher potential costs would be offset if, as expected, the combination of intensive SVRA services followed by longer-term supports provided by ENs enabled partnership plus participants to

remain off benefits for longer than beneficiaries who exited with only assistance from ENs. For example, consider the net savings generated by DI beneficiaries who exit cash benefits under this system. If one starts with the framework used to examine net savings under the milestone-outcome system (Exhibit 6), substitutes the \$14,000 traditional system payment for the \$4,844 Phase 1 milestone payments, assumes (consistent with Exhibit 13) that only 40 percent of exiting beneficiaries have returned by the end of the first year, and that just 53 percent will ultimately return during the next 10 years, then the projected average net savings per exit would be more than \$21,000. This is almost 15 percent more savings than the \$18,363 computed in Chapter III. Furthermore, partnership plus would be expected to generate more net savings than the milestone-outcome system even if the percent of exiting beneficiaries who were off cash benefits continued to fall further than shown in Exhibit 13. As long as the rate declines by no more than 3 percentage points a year (which is the rate observed during the second through fourth years following their exit) the net savings per new exit under the partnership plus system will be at least as great as that estimated for the pre-2008 system (Chapter III). Thus, the partnership plus system seems likely to increase overall TTW participation and the average savings generated by beneficiaries who exit cash benefits. Both trends would increase the likelihood that TTW would be self-financing under partnership plus.

But that outcome depends crucially on the assumption that partnership plus does not expand TTW targeting in ways that attract many beneficiaries who in the absence of TTW would have exited cash benefits without any SSA-financed support. If it does increase the costs for Ticket payments made to beneficiaries who would have left cash benefits even without TTW, then that could offset other gains from partnership plus. At this time, there is not enough information about the beneficiaries being served under this newest payment arrangement and the frequency and duration of their exits to estimate the net effect of the various factors. As a result, SSA will have to continue to monitor the situation as it tries to target TTW resources effectively.

The challenge of evaluating TTW has always been that it was likely to affect a relatively small number of beneficiaries and the effects can take years to materialize. The small numbers reflect the inherent paradox of TTW: it is a return to work program targeted to people who have convincingly demonstrated to SSA that they cannot work. If we saw large exit rates under TTW, it would call into question SSA's eligibility determination process. So, it was always going to be the case that only a small percentage of beneficiaries were likely to pursue employment successfully through TTW. The length of time to observe effects reflects the fact that the DI and SSI programs contain many work-incentive provisions that enable beneficiaries to engage in months of work (even years, in some cases) before losing their cash benefits. In addition, it takes time for SSA to establish a fully functioning market for TTW-funded employment-support services. Although the program was rolled out in 2002, the new regulations designed to enhance operations were not announced until 2005 and not implemented until 2008. It seems likely that it will take a while for providers to respond to the new regulations and for new beneficiary-outreach efforts to result in Ticket assignments and, ultimately, in exits from cash benefits.

The generally unfavorable labor market conditions that have prevailed since TTW was rolled out are also likely to dampen its success to date. Overall unemployment has been relatively high since the start of TTW and employment rates for people with disabilities in general have continued to decline. As a result, beneficiaries are likely to have had a particularly difficult time obtaining meaningful employment under TTW relative to the opportunities they would have faced in a strong labor market. This environment makes it difficult for a comprehensive assessment of TTW—a better labor market may have induced more new exits. Furthermore, TTW may be particularly useful

in facilitating return to work efforts among many beneficiaries who come onto benefits rolls after losing their jobs during the recession.

Finally, there is the question of how to incorporate any benefits TTW might generate other than its effect on DI and SSI program budgets. Congress passed the Ticket Act because it wanted to give people with severe disabilities a better chance to participate fully in society, particularly through employment. As the legislation notes, “It is the policy of the United States to provide assistance to individuals with disabilities to lead productive work lives.” Furthermore, the legislation aimed to give beneficiaries a choice of service providers that went beyond SVRAs. Although it was hoped that TTW would be self-financing, there were other important reasons to establish the program and deliver work supports to beneficiaries who want to work. In the end, the ability of the program to offset even some of its costs may be enough to justify its continued operation and development.

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