New Evidence on the Role of Provider Business Model in the Economic Viability of Employment Networks Under Ticket to Work

By Jody Schimmel

To assist Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) beneficiaries in their return-to-work efforts, the Ticket to Work (TTW) program was launched in 2002. TTW provides beneficiaries with a Ticket that they can assign to a provider known as an employment network (EN) to help them find employment and reduce dependence on cash benefits. ENs receive payments from the Social Security Administration (SSA) when the TTW participants they serve achieve specified levels of earnings. In July 2008, after several years of waning provider interest in the program and worries about the financial viability of ENs, SSA made regulatory changes to TTW designed to spur provider involvement, including more attractive financial incentives and streamlined administrative procedures. This brief summarizes findings about recent TTW participant work activity for five EN business models and considers the implications for EN financial viability.

The 2008 TTW regulatory changes led to major growth in the number of new Tickets assigned to ENs, from 4,168 in 2007 to 19,913 in 2010. SSA issues payments to ENs when beneficiaries earn specified amounts under one of two payment systems: outcome-only (OO) or milestone-outcome (MO). In the OO system, outcome payments are made when a participant does not receive a cash benefit and has monthly earnings that are at or above the level of substantial gainful activity (SGA; $1,040 per month in 2013 for nonblind beneficiaries). The MO system, offers milestone payments when a beneficiary’s earnings reach intermediate thresholds, even when the beneficiary still receives cash benefits. In exchange, providers receive reduced outcome payments. Each EN must choose one of these systems under which to receive payment for all participants it serves.

What Types of Providers Are ENs?

To identify the most common types of TTW providers, Schimmel et al. (2013) relied on SSA’s categorization of the 100 ENs with the highest total value of TTW payments in 2010. Most, but not all, of these ENs were in operation before 2009. SSA sorted these ENs into one of five business models (see text box on page 2). Together, these ENs accounted for about half (10,407 of 19,913) of all newly assigned Tickets in 2010. It is important to note that the experience of these ENs does not necessarily reflect the experience of all ENs in 2010; even though these providers accepted over half of the Tickets, they represented only about 6 percent of the 1,600 ENs that accepted at least one Ticket during the year.

Ticket Assignments to the Top 100 ENs

As a group, the top 100 ENs experienced very large increases in their Ticket assignments after the regulations changed, more than tripling between 2007 and 2008 (Figure 1). In each year, however, there were relatively few assignments to employers and state workforce agency ENs; together these types received only about 15 percent of all new Ticket assignments during this time period. Reflecting the pattern across all ENs, the vast majority of all assignments to the top 100 ENs have been under the MO system, particularly since 2008 (97.5 percent in 2010).

How Does Participant Work Activity Vary by EN Business Model?

Among beneficiaries who assigned their Ticket to a Top 100 EN between...
July 2008 and June 2009, nearly one in 10 TTW participants (9.4 percent) stopped receiving cash benefits because of earnings for at least one month during the 18 months after they assigned their Ticket (Table 1). When beneficiaries stop receiving benefits because of earnings, they enter into what we term “NSTW,” or “nonpayment status due to suspension or termination for work.”

Among the top 100 ENs, participants' NSTW outcomes varied a great deal by the business model of the EN serving them. Participants in consumer-directed ENs were most likely to have an NSTW month (20.7 percent), whereas those served by SVRAs were least likely (4.3 percent). Those served under the OO system were much more likely than others to have an NSTW month, regardless of the EN’s business model. Among those with at least one NSTW month, participants in consumer-directed and employer ENs remained in NSTW longer than participants in other business models, on average.

The Five Most Common Business Models for ENs

- **State vocational rehabilitation agencies (SVRAs).** SVRAs can choose to receive payment from SSA either as an EN (under either the MO or OO payment system) or under a cost-reimbursement system that existed prior to TTW, case-by-case. In 2010, 10 of the top 100 ENs were SVRAs.

- **Traditional ENs.** These include various community rehabilitation providers and other non-SVRA organizations that have traditionally provided services to people with disabilities. In 2010, 75 of the top 100 ENs were traditional ENs.

- **Consumer-directed ENs.** These ENs pass a large share of the TTW payments they receive from SSA through to their clients. In 2010, 4 of the top 100 ENs were consumer-directed.

- **Employers.** These employers receive TTW payments based on the work activity of their employees who participate in TTW. In 2010, 4 of the top 100 ENs were employers.

- **State workforce agencies.** These ENs include local workforce investment boards and One-Stop Career Centers. In 2010, 7 of the top 100 ENs were workforce agencies.

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1 This cohort was selected because its Tickets were assigned after the revised regulations were implemented. The revised regulations were rolled out on July 21, 2008, so strictly speaking, some people in this cohort assigned their Ticket under the original regulations. However, their payment schedule would have been entirely under the new scheme.

4 The analysis in this brief only considers participants served by SVRAs under the MO or OO payment systems; participants served under the cost reimbursement system available only to SVRAs are excluded.

5 NSTW is a monthly indicator in SSA's Disability Analysis File based on a complex set of administrative data. For more information on its development and subsequent refinements, see Schimmel et al. (2013).
<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>SVRA</th>
<th>Traditional</th>
<th>Consumer-Directed</th>
<th>Employer</th>
<th>Workforce Agency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of New Assignments</td>
<td>8,087</td>
<td>2,447</td>
<td>1,627</td>
<td>346</td>
<td>3,440</td>
<td>227</td>
</tr>
<tr>
<td>MO</td>
<td>7,720</td>
<td>2,426</td>
<td>1,344</td>
<td>332</td>
<td>3,431</td>
<td>187</td>
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<tr>
<td>OO</td>
<td>367</td>
<td>21</td>
<td>283</td>
<td>14</td>
<td>9</td>
<td>40</td>
</tr>
<tr>
<td>Percentage of Beneficiaries with at Least One NSTW Montha</td>
<td>9.4</td>
<td>4.3</td>
<td>7.6</td>
<td>20.7</td>
<td>10.4</td>
<td>9.7</td>
</tr>
<tr>
<td>MO</td>
<td>8.1</td>
<td>4.3</td>
<td>7.6</td>
<td>16.3</td>
<td>7.2</td>
<td>9.1</td>
</tr>
<tr>
<td>OO</td>
<td>37.1</td>
<td>0.0</td>
<td>11.1</td>
<td>41.7</td>
<td>85.7</td>
<td>12.5</td>
</tr>
<tr>
<td>Average Number of NSTW Monthsb</td>
<td>7.1</td>
<td>6.2</td>
<td>6.1</td>
<td>8.0</td>
<td>8.2</td>
<td>7.3</td>
</tr>
<tr>
<td>MO</td>
<td>6.6</td>
<td>6.2</td>
<td>6.1</td>
<td>7.2</td>
<td>7.3</td>
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</tr>
<tr>
<td>OO</td>
<td>9.3</td>
<td>n.a.</td>
<td>1.0</td>
<td>9.5</td>
<td>10.0</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Source: Analysis of the TRF10 linked to the DAF11, as described in Schimmel et al. (2013).

aLimited to the 18 months after the Ticket was assigned.
bLimited to those with at least one NSTW month in the 18 months after Ticket assignment.
n.a. = not applicable

The pattern of findings across EN business models was largely consistent before and after the regulatory changes. However, with few exceptions, the likelihood of experiencing NSTW as well as the average number of NSTW months fell after the regulatory changes, regardless of EN business model (not shown). The United States had a major economic recession from 2007 through 2009, which widely depressed employment and NSTW among all beneficiaries, including TTW participants (see the companion brief, Schimmel 2013).

### How Much TTW Revenue Do Participants Generate for ENs?

Providers are eligible for payments from SSA when the TTW participants they serve achieve specified earnings levels, and in the case of outcome payments, are in NSTW. We focus on payments to ENs in the SVRA, traditional, and consumer-directed models because of the availability of long-term payments data for them. The other two types had too little payment experience, especially in the period prior to the change in regulations.

Given the tie between TTW payments and participant work activity, it is not surprising that consumer-directed ENs received the highest per-participant revenue each year after Ticket assignment, followed by traditional ENs and then SVRAs. Figure 2 shows ENs’ cumulative annual TTW revenue, per participant, from the assignment year on for Tickets assigned in 2005 and 2008. By the second year after assignment, per-participant revenue of consumer-directed ENs was two to three times higher than that of SVRAs. Most revenue accrues several years after assignment, as beneficiaries find work and give up their cash benefits. Four years after assignment, revenues per participant are at least double what they were two years after assignment for each EN business model.

Interestingly, per-participant revenues grew after the regulations changed, regardless of the EN business model. This seems inconsistent with the fact that NSTW outcomes per-participant declined during this period. The rising revenues are likely due to several factors, including (1) a larger proportion of assignments to the MO system; (2) the revision of the MO system to offer earlier payment for lesser employment milestones; and (3) a shortened outcome payment schedule for SSDI beneficiaries, which increased monthly payments so that all payments could be made in 36 instead of 60 months. It might be that ENs benefit from the earlier receipt of revenues under the revised regulations, but at the expense of lower revenues later. However, the data available did not allow us to assess this.

### What Are the Implications for EN Viability?

The TTW regulatory changes led to a major surge in provider participation and Ticket assignments. Prior to the 2008 regulatory changes, Stapleton et al. (2008) observed the experiences of a typical EN in the first years of TTW and raised concerns that ENs were unlikely to be economically viable. Our findings paint a tentative but more positive picture about the financial viability of ENs under the revised regulations.

TTW payments are not the complete picture of provider viability, however. The costs ENs incur when providing services and the extent to which ENs can rely on other revenue sources are also key considerations. Both of these factors depend on the EN business model. Consumer-directed ENs, for example, have very low costs for each participant because the beneficiary does most or all of the work involved in assigning the Ticket, undergoing a needs assessment, purchasing services, and submitting earnings documentation. If consumer-directed ENs do have higher-than-expected marginal costs, they may adjust the proportion of the TTW payment shared with the beneficiary.

Other EN business models do not necessarily share the low costs and flexibility of consumer-directed ENs. Many, however, have the advantage of substantial funding...
Whether the observed TTW revenue streams are sufficient to keep ENs viable or to continue to attract new ENs into the TTW market remains to be seen. The findings discussed in this brief provide reasons for optimism. It is now clear that Ticket assignments continue to generate revenue over a long period and that the 2008 regulatory changes raised revenue per assignment, at least in the short term. It is particularly impressive that this more optimistic picture emerged on the heels of the 2007 to 2009 recession. As the economy recovers and providers become used to the new TTW regulations, we may continue to see growth in the number of providers, the number of Ticket assignments, and revenue per assignment.

from other sources. SVRAs, for example, largely depend on Rehabilitation Services Administration grants, which states must match at a rate of 20 percent; the TTW revenue allows SVRAs to serve additional clients. State workforce agencies also receive revenues from other federal and state sources, and employers rely primarily on their revenues for the goods and services they produce.

It is much more difficult to assess the economic appeal of TTW for traditional ENs, in part because they likely vary more than ENs within other business model categories. Those traditional ENs that rely completely on TTW revenues to cover the cost of serving beneficiaries might have the most difficulty achieving economic success.

Figure 2.
Cumulative Per-Participant TTW Revenue Among the 2005 and 2008 Participants Assigning Tickets in by EN Business Model

Source: Analysis of the TRF10 linked to EN payments data extracted in October 2011, as described in Schimmel et al. (2013).
Notes: The figure shows the 2005 assignment cohort because it was the first year TTW was fully rolled out, and it allows us to follow participants for five years after assignment; the 2008 cohort is shown because its experiences reflect the revised regulations. Payments include both milestone and outcome payments and are reported in 2010 dollars.

References