



SOCIAL SECURITY

The Commissioner

September 7, 2004

The Honorable Charles E. Grassley
Chairman, Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am pleased to provide you official notification of the Social Security Administration's (SSA) intent to conduct a sliding scale benefit offset demonstration project that will test various employment supports in conjunction with the sliding scale benefit offset, as authorized under Section 234 of the Social Security Act. As required by the Act, I have enclosed a full and complete project description.

We have plans underway for a pilot Benefit Offset Demonstration, which will be conducted in four states (Connecticut, Utah, Vermont, and Wisconsin). The pilot will allow beneficiaries to volunteer for the project, which will test alternative methods of expanding and supporting work activity for those in the Title II disability program. The Four State Benefit Offset will obtain early information regarding the implementation of this type of demonstration project and will assist in the development of a national study.

Should you require additional information, I will be pleased to make the appropriate staff available for briefings or additional materials.

SSA is in the process of developing and conducting several demonstration projects that will maximize our beneficiaries' self-sufficiency. We appreciate your support of our efforts to test new ways to serve our diverse beneficiary population.

I am sending an identical letter to Senator Max Baucus.

Sincerely,

/s/

Jo Anne B. Barnhart

Enclosure



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September 7, 2004

The Honorable William M. Thomas
Chairman, Committee on Ways and Means
United States House of Representatives
Washington, D.C. 20515

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Should you require additional information, I will be pleased to make the appropriate staff available for briefings or additional materials.

SSA is in the process of developing and conducting several demonstration projects that will maximize our beneficiaries' self-sufficiency. We appreciate your support of our efforts to test new ways to serve our diverse beneficiary population.

I am sending an identical letter to Congressman Charles Rangel.

Sincerely,

/s/

Jo Anne B. Barnhart

Enclosure

Four State Benefit Offset Demonstration

Project Description

Background

The Ticket to Work and Work Incentives Improvement Act (Ticket Act) amended Section 234 of the Social Security Act providing authority for the Commissioner of Social Security to waive Title II program rules for the purposes of conducting a “sliding scale benefit offset” demonstration project. This legislative action was spurred by the findings from multiple sources that Social Security Disability Insurance (SSDI) beneficiaries have significant financial disincentives to reemployment. One financial disincentive often cited is the abrupt loss of all cash benefits in the SSDI program, frequently called the “cash cliff.” Once an SSDI beneficiary earns above the substantial gainful activity (SGA) level (\$810 in 2004), all cash benefits for that month are suspended. The means-tested Supplemental Security Income (SSI) program does not have a cash cliff, but its benefits are reduced \$1 for every \$2 of earnings. This waiver authority allows the Commissioner to conduct a demonstration project for SSDI beneficiaries that mirrors a current work incentive in the SSI program.

Four State Pilot

We are proceeding with plans for a national benefit offset demonstration project, and at the same time, we are undertaking a smaller, 4-State benefit offset pilot with Connecticut, Utah, Vermont and Wisconsin. This pilot project will allow each of the four States to develop State-specific employment support models to test in conjunction with the benefit offset and its accompanying Title II program waivers. In each State, SSDI beneficiaries who are recruited by States may volunteer to participate in this project. Once selected, beneficiaries will be randomly assigned to the test or control group. The test group will have access to all Title II program waivers and the collection of State-specific employment supports. The beneficiaries in the control group will have access to the State-specific employment supports. The test group will need to complete a trial work period (nine months of work at the SGA level) and complete the three-month grace period. Once both have been completed, the test group will have a 72-month extended period of eligibility (EPE) where they will receive a full benefit for every month they do not meet the SGA level. For every \$2 of earnings above the SGA level, the beneficiary will lose \$1 of benefits. This gradual decrease in benefits is expected to ease the transition for SSDI beneficiaries and to give an incentive to attempt reemployment. This project does not impact the beneficiary’s access to Medicare, which may continue for up to 93 months after the individual has completed the trial work period. In addition to the financial incentive, each State will develop a set of employment supports designed to address the workforce needs in the State.

This project will conduct a two-year voluntary demonstration project testing alternate methods of expanding and supporting work activity including Title II program waivers. The States will develop a formal project design, implementation, evaluation, and management information system plans. The design will include State-specific

employment support models to be tested and the sample design (size of population, locations, and allocations of individuals to test and control groups). The implementation plan will include both implementation and ongoing operational plans. The evaluation plan will include both process and outcome evaluations. The information management system will collect and organize all data collected for the implementation and evaluation activities related to this project. This information is critical to the development of the national study. We will receive this information as this project progresses to better inform decisions for the national project.

Project Participants

The participating states will enroll up to 1,000 volunteer participants in each State project. Selections for this project will vary from State to State and is not limited to current participants in other programs. States will develop informed consent documentation and meet with all potential participants to provide any additional information the beneficiary may require to determine the efficacy of participating in such a project. All individuals selected to participate in this project must review and sign the informed consent documentation. From this pool of participants, the project administrators will assign individuals randomly to a test or control group. Those in the test group will be able to take advantage of the benefit offset, all Title II waivers, and certain State-specific employment supports. Those in the control group will have access to the State-specific employment supports.

Waivers

SSA will provide six Title II program waivers in conjunction with the benefit offset pilot. These waivers are briefly described below:

- The extended period of eligibility (EPE) which is 36 months will be extended to 72 months;
- Beneficiaries will receive SSDI benefits during the EPE and benefits will be reduced \$1 for every \$2 of earnings above the SGA level;
- Provisions regarding averaging of earnings to determine whether benefits should be paid will be waived;
- Provisions under section 1148 regarding the payment of employment networks will be waived to “hold harmless” the impact of potential beneficiaries who participate in both the Ticket to Work Program and the Benefit Offset;
- All continuing disability reviews (CDRs) will be suspended for test group members for the duration of their participation in the project; and

- The provision under Section 221(m) that limits CDRs to those who have been on the rolls for 24 months is waived to allow SSA to evaluate all project participants for CDRs, regardless of their duration receiving SSDI benefits.