

ADEQUACY OF INCENTIVES (AOI) ADVISORY GROUP

**Final Report
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Submitted by

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EXECUTIVE SUMMARY

The Adequacy of Incentives (AOI) Advisory Group was formed by the Disability Research Institute (DRI) at the University of Illinois Urbana-Champaign to provide actionable recommendations to the Social Security Administration (SSA) that address the adequacy of incentives in the Ticket to Work (TTW) Program for individuals with significant disabilities who might be “involuntary nonparticipants.” These individuals were identified in Section 101 of the Ticket to Work and Work Incentives Improvement Act as:

- (i) individuals with a need for ongoing support and services;
- (ii) individuals with a need for high-cost accommodations;
- (iii) individuals who earn a sub-minimum wage; and
- (iv) individuals who work and receive partial cash benefits.

For purposes of this report, these individuals will be referred to as **“individuals with disabilities in the targeted groups.”**

The AOI Advisory Group was comprised of individuals having diverse backgrounds with research and/or experiential expertise in the successful employment of individuals with disabilities. Members included: David Mank, Chair; Tanya Gallagher, Director, Disability Research Institute; Michael Callahan; Berthy De La Rosa-Aponte; Laurie Ford; Thomas Golden; Bruce Growick; William Kiernan; Celane McWhorter; Patricia Rogan; Robert Silverstein; James Smith; Stephen Start; and Dorothy Watson. Technical advisors to the Group were David Autor, Daniel O’Brien, and Paul Seifert (See Appendix 1).

The AOI Advisory Group researched methods for evaluating successful employment, discussed best practices in results-based funding and milestone payments, and convened focus groups to inform their deliberations. The AOI Group held quarterly meetings and worked between meetings through email, and periodic teleconferences as sub-committees and with full group participation. The meetings were held June 16 and 17, 2003 at the University of Illinois at Urbana-Champaign, Champaign, IL; September 4-5, 2003 at the International Trade Commission offices, Washington, DC.; December 8-9, 2003 at the Chicago O’Hare Hilton Hotel, Chicago, IL; and, March 14-15, 2004 at the International Trade Commission Offices, Washington, DC. In addition focus groups were held with service providers and beneficiaries from the four targeted groups at the July 20-23, 2003 meeting of the National Association for Persons in Supported Employment in San Diego, CA. The focus group information was aggregated and distributed to all members to supplement the overall frame of reference during continuing discussions.

Prior to this final report, the following four interim reports were submitted to the SSA over the twelve month period:

1. *Recommendations for Improving Implementation of the Ticket to Work and Self-Sufficiency Program (Regulatory and Administrative Changes)* (September 2003)
2. *Partnership Plus – The State Vocational Rehabilitation Cost Reimbursement and Employment Network Outcome Payment Option* (April 2004)
3. *Blending of Resources and Braiding of Funds* (August 2004)
4. *Enhancing Earnings and Income Through Self-Determination for AOI Targeted Groups* (August 2004)

This final report summarizes and integrates the findings and recommendations contained in these interim reports.

Guiding Principles

The AOI Advisory Group adopted the following principles as guiding principles for its work:

- Success of the Ticket to Work Program should be viewed from and address three perspectives: SSI and SSDI beneficiaries, Employment Networks, and the Social Security Administration.
- Individuals with disabilities in the targeted groups may not be a sliver or small percentage of the population of Ticket holders; rather, they may well represent a significant majority of Ticket holders. Therefore, the structure of the payment system as a whole should reflect this reality.
- The Ticket Program should recognize the heterogeneity of the population of persons with disabilities receiving cash assistance under SSI and SSDI – some persons are not capable of working, some are capable of working part-time (some above and some below SGA), some are capable of working full-time, and some are capable of working intermittently. The Ticket Program should address the needs of consumers with disabilities by recognizing the unique needs of the individual (individualization rather than one-size-fits-all) in determining whether the individual is making progress toward economic self-sufficiency.
- In order to judge the degree of success of the Ticket Program, it is important that there be a critical mass of program participants. Changes should be made to the program to increase participation by individuals and ENs to sustain such a critical mass. Thus, any reform efforts should be designed to increase EN participation and the number of people using the Ticket.

- The Ticket Program should reflect the findings of the literature¹ and other sources of information regarding "best" and "promising" practices demonstrating the clear success in assisting individuals with disabilities in the targeted groups entering and returning to work (both full and part-time employment) when provided appropriate services and supports, including ongoing services and supports.
- Any demonstrations supported by the SSA to remove work disincentives under the SSDI or SSI programs should not punish ENs by creating work incentives for individuals, which, if exercised, will make it more difficult for ENs to receive payment.
- The Ticket Program is not the "be all and end all" for all beneficiaries. For some beneficiaries, there will be a need for a blended system for funding needed services and supports. For others, the Ticket Program may not be the answer at all. For example, the Ticket Program should focus on real work in integrated settings in the community at minimum wage or higher wage based on individual choice and control. The Ticket Program is not currently designed nor should it be redesigned to reward service providers paying sub-minimum wage--which is the focus of other Federal programs such as Section 14(c) of the Fair Labor Standards Act.
- The Ticket Program should not be viewed in isolation from other programs and policies. It is important to recognize that the degree of success of the Ticket Program may depend on other factors such as the continued existence of the "cash cliff" under the SSDI law and the presence of a Medicaid Buy-In program as part of a comprehensive, person-centered state employment initiative.
- The SSA should recognize that in addition to creating a disincentive for beneficiaries to work, **overpayments** present a particular problem for ENs under the Ticket Program.

Consistent with the guiding principles set out above, the Group agreed that the Ticket payment scheme should:

- Recognize the appropriateness of a policy of partial self-sufficiency by rewarding ENs that are able to reduce as well as eliminate an SSI or SSDI beneficiary's dependence on cash assistance programs.
- Share the risk between the SSA and the ENs.
- Provide adequate up-front payments to ENs to generate interest.
- Provide incentives for serving persons with disabilities who are capable of working part-time, including individuals with disabilities in the targeted groups.

¹ See e.g., Wehman and Revell in an article entitled "*Lessons Learned from the Provision and Funding of Employment Services for the MR/DD Population--Implications for Assessing the Adequacy of the SSA Ticket to Work*" appearing in *Paying for Results in Vocational Rehabilitation--Will Provider Incentives Work for Ticket to Work?* Edited by Kalman Rupp and Stephen H. Bell (Urban Institute, January 2003).

- Recognize that the initial nine months of employment are the most intense phase of work supports for individuals with disabilities (particularly those individuals with disabilities in the targeted groups) by providing milestones for reaching significant earnings (but less than SGA).
- Provide outcome payments for reaching SGA.
- Provide bonuses for significant earnings above SGA.
- Reduce to a minimum the difference in payments between the milestone and outcome payment schemes.
- Reduce or eliminate the potential conflict of interest between an EN and an individual using work incentives by using gross income instead of net income.
- Allow the EN to recoup lost revenue for unsuccessful efforts through payments for successful participants.
- Enable ENs to leverage other funds to support individuals with disabilities, particularly those individuals with disabilities in the targeted groups.
- Treat SSI and SSDI beneficiaries in a comparable manner to the extent possible given the current work incentives and benefit levels under the two programs.
- Minimize scenarios where there are no net savings for the SSA.
- Provide incentives for individuals to participate by providing bonuses to the individual for reaching specified earnings levels and allowing such bonuses to be placed in IDAs or other special accounts earmarked for enabling the individual to live independently in the community (asset development).

Recommendations

The AOI Advisory Group carefully examined a number of issues and made recommendations (including recommendations that may require legislative changes) to address the “adequacy of incentives” in the Ticket Program for individuals with disabilities in the targeted groups.

The AOI Advisory Group proposed a set of 10 recommendations for implementation and 9 suggestions for further action to SSA that included proposed regulatory and administrative changes for improving implementation of the Ticket Program. Although the primary focus of the recommendations was to improve the adequacy of incentives for individuals with disabilities in the four targeted groups, additional recommendations were included to the extent that they related to improving the adequacy of incentives for all beneficiaries. The recommendations made reflected the overarching goals of the President's New Freedom Initiative--maximizing economic

self-sufficiency, independent living, and informed choice of individuals with disabilities, including individuals with disabilities in the targeted groups.²

It is important to note that the AOI Advisory Group recognized that the proposed regulatory and administrative changes, if adopted, would remove some but not all of the disincentives to Ticket utilization for individuals with disabilities in the targeted groups.

Based upon discussions of the above guiding principles and goals, the following were the Group's recommendations:

RECOMMENDATION 1: THE PAYMENT SYSTEM TO ENs

Adjust the payment system to ENs to allow beneficiaries to progress incrementally toward self-sufficiency in three steps.

As stated previously, people with disabilities receiving cash payments under the SSI and SSDI programs are a heterogeneous population. Many people with disabilities, particularly those individuals with disabilities in the targeted groups, do not go directly from cash assistance to full economic self-sufficiency; rather, they make incremental steps with some only achieving partial self-sufficiency.

The proposed payment scheme was based on a gradual movement from initial efforts at self-sufficiency, to partial self-sufficiency, to full self-sufficiency. For purposes of this proposal these three steps were:

- **Initial efforts at self-sufficiency**, defined as **\$600** per month for 2003 (50% of full self-sufficiency);
- **Partial self-sufficiency**, defined as 67% of full self-sufficiency i.e., **\$800** per month for 2003 (SGA); and
- **Full self-sufficiency**, defined, as the point where the SSI beneficiary ceases to receive a check i.e., is no longer in need of any federal financial assistance. For 2003 that figure is \$1189 which has been rounded up here to **\$1200** per month for 2003. That equates to 150% of the current SGA level.³

All earning figures are gross wages to avoid penalizing beneficiaries who use work incentives.

² See Executive Order No. 13217 "Community-Based Alternatives for Individuals with Disabilities" (June 18, 2001).

³ Under this proposal, only earnings at or above the federal or state minimum wage would be counted. In addition, the \$600 (initial efforts at self-sufficiency), \$800 (partial self-sufficiency), and \$1,200 (full self-sufficiency) would be adjusted (indexed) each year.

RECOMMENDATION 2: BENEFICARY INDEPENDENCE INCENTIVES

Increase beneficiary independence incentives by establishing individual development accounts (IDAs) for beneficiaries who work and meet work and meet specified financial eligibility requirements.

An IDA is a trust-like bank account that helps an individual save for a specified purpose, usually post-secondary education, the purchase of a home, or business start-up such as micro-enterprises (the purposes could be expanded to include savings for assistive devices). An individual makes deposits from his or her earnings. The individual's deposits are matched at various rates from various sources, which can include Assets for Independence Act (AFIA) grant funds, Temporary Assistance to Needy Families (TANF) funds, State funds, and contributions from private entities. IDA programs also provide financial counseling.

SSI rules would treat funds deposited to and held in these accounts as they now treat federally supported IDAs. In other words, deposits to the account would not count as income and funds held in the account would not count toward the SSI resource limit of \$2,000. IDA limits could be set at amounts such as \$10,000. IDAs would be beneficial to SSDI beneficiaries as well since the SSDI program does not provide individuals with the means to build sufficient assets to become more independent. SSDI beneficiaries would receive the same matched income in IDAs as provided to SSI beneficiaries. Incorporating IDAs into the Ticket Program will work to help beneficiaries, both SSI and SSDI, acquire assets and thus, become more self-sufficient.

The procedural details of this proposal will require further analysis and the proposal may require one or more legislative changes.

RECOMMENDATION 3: VR AGENCY REIMBURSEMENT + EN OUTCOME PAYMENTS

Implement *Partnership Plus*—the state vocational rehabilitation cost reimbursement and employment network as outcome payment option.

Under the current state VR program, the state VR agency pays for time-limited costs related to the provision of vocational rehabilitation services and supports, including supported employment. Other sources of funding must be secured to pay for ongoing services and supports. The premise for this recommendation is that the Ticket Program should recognize the reality that some beneficiaries require both time-limited and ongoing services and supports in order to maintain and retain employment, particularly individuals with disabilities in the targeted groups.

This proposal supplements, it does not supplant, existing options available under the Ticket Program. VR still would have the option to select cost reimbursement only or milestone/outcome payments, on a case-by-case basis, as they do under the current regulations. This proposal would create a third option for VR to select in partnership with private ENs.

Under the proposal, the State VR agency provides vocational rehabilitation services, including supported employment and other time-limited employment-related services and supports directly or through contract with community rehabilitation providers (including ENs), and then bills the SSA under the cost reimbursement payment system i.e., when an individual is earning at or above SGA for 9 months. ENs can then accept Tickets after VR reimbursement billing is submitted to the SSA to the end that savings will accrue to the Trust Fund (SSDI) and the Treasury (SSI) as a result of earnings by SSDI and SSI beneficiaries. The value of the Ticket shall not exceed the value of the outcome payments available under the outcome-milestone payment system (\$11,200 outcome payments for partial self-sufficiency and \$14,000 for full self-sufficiency).

Under the Partnership Plus option, an eligible Ticket holder could receive vocational rehabilitation services from state VR agencies, including supported employment and other time-limited employment related services and supports) and then receive ongoing supports and services from an EN. The result would be increased choices for beneficiaries and increased cooperation among VR agencies and ENs.

This proposal promotes partnership between VR and ENs to work together on behalf of SSI and SSDI beneficiaries, in particular those that need ongoing services and supports.

RECOMMENDATION 4: DOCUMENTATION OF EARNINGS FOR PURPOSES OF EN PAYMENTS

Transfer earning documentation responsibility for purposes of EN payments from ENs to the SSA.

One of the major disincentives for ENs to participate in the Ticket Program is the requirement to document earnings of a Ticket holder in order to receive payment. The current approach also creates serious privacy problems from the Ticket holder's perspective e.g., providing wage stubs to the EN.

It is recommended that the regulations be revised to transfer the onus for documenting earnings from the EN to the SSA Commissioner.⁴

RECOMMENDATION 5: OVERPAYMENTS TO BENEFICIARIES

Reduce the disincentives of overpayments by using gross wages and unemployment insurance records to trigger payments and by not penalizing an EN if the SSA determines there was an overpayment.

The SSA must recognize that in addition to creating a disincentive for beneficiaries, overpayments present a particular problem for ENs under the Ticket Program. Under the current regulatory framework, ENs that return beneficiaries to work will not be paid if the beneficiaries are still receiving cash benefit payments from the SSA, even if these payments are being made in error. This could prove to be a significant long-term disincentive for ENs to participate in the Ticket Program.

⁴ A similar recommendation was made in the Ticket Panel's *Annual Report #2*.

Existing problems in this area center on:

- Errors in figuring net wages after the use of work incentives;
- Lack of systematic approach for readjusting income records used by the SSA for SSI purposes; and
- Provision by Internal Revenue Service (IRS) to the SSA of earnings records only on an annual basis.

Most errors would be eliminated by use of gross wages, not net wages and the use of Unemployment Insurance records to trigger payments.⁵ The combination of these two measures would eliminate most of the overpayment, delayed payments, or under payment problems.

Further, it is recommended that an EN not be penalized if the SSA determines, after making a payment to the EN, that the payment was inappropriate because an individual received an overpayment. The SSA should also consider adopting policies that address the penalty to beneficiaries when they fail to receive timely notice of overpayments. More specifically, ENs would be held totally harmless in the case of an overpayment to a beneficiary using a Ticket. Further, in the absence of fraud, the SSA would be stopped from collecting overpayments made to beneficiaries after six months from the date the beneficiary reported earnings to the SSA via electronic, certified regular mail, other means of communication or by directly contacting (face-to-face) an SSA field office employee.

RECOMMENDATION 6: CASE –BY-CASE DETERMINATION OF PAYMENT SYSTEM USED BY ENs

Allow ENs to make a case-by-case determination of whether to use the outcome-milestone payment system or outcome payment system for an individual beneficiary.

⁵ In the SSDI law, the work incentives (provisions designed to permit or encourage recipients to work) include, but are not limited to, a **trial work period** (TWP) i.e., nine months--not necessarily consecutive--during which an individual may continue to receive cash benefits if he or she earns no more than \$570 a month (for the year 2003). If SSA finds that an individual no longer has a disabling impairment due either to work at the SGA level or medical improvement, SSA says that the individual's disability "ceased." SSA's decision is effective with the month shown by the evidence (or the month SSA gave the individual written notice, if later). However, SSA pays SSDI benefits for this month and the following two months. This three-month period is often referred to as the "**grace period.**" An additional work incentive is the "**extended period of eligibility**" (EPE) i.e., 36-months to provide protection against the risks of an unsuccessful work attempt. If SSA ceased a person's disability because he or she worked at SGA level, SSA can automatically reinstate benefit payments. No new application and/or disability determination is required. Benefits can be reinstated for any month in the 36-month period in which the individual continues to have a disabling impairment and earnings in that month fall below SGA level.

RECOMMENDATION 7: BLENDING OF RESOURCES AND BRAIDING OF FUNDS

Create a more integrated, comprehensive, implementation strategy for the Ticket Program by considering how complementary services and supports may be funded across federal and state programs and implemented at the local level.

Facilitate the increased blending of resources and braiding of funds from multiple sources to support beneficiaries efforts toward employment.

The AOI Advisory Group believes that the issue of creating a more integrated, and hopefully comprehensive strategy regarding the implementation of the Ticket Program should include a consideration of how services and supports may be funded across federal and state programs and implemented at the local level. The AOI Advisory Group believes that Congress did not intend to have ENs rely solely on resources available through the Ticket Program to cover the full range of services and supports needed by Ticket holders, particularly individuals with disabilities in the targeted groups. Further, the AOI Advisory Group believes that the Ticket Program is premised on the continued availability of funding from other sources such as Title I of the Rehabilitation Act (Vocational Rehabilitation Services) that are typically time limited and those available through state Departments of Mental Retardation or Mental Health which are typically of longer duration. The MR and MH monies are generally closely linked to the Centers for Medicare & Medicaid Services through individual federal and state reimbursement strategies. The AOI Advisory Group believes that the need for a wider base of funding and support for Ticket holders in the future is apparent.

Allow EN funding resources to be blended and funds braided so that resources, such as personnel, products or planning, are integrated and combined for optimal impact (*blending*) while individual funds are shared for a common use without being combined into a single budget pool (*braiding*). This would allow for the optimal utilization of EN resources.

Recommendation 7.1: Clarify Policies and Conduct Demonstrations

Further clarification by federal agencies regarding the extent to which existing policies governing federal programs permit braiding of funding and blending of resources to support the goals and objectives of the Ticket program. It also includes a recommendation that the SSA in conjunction with other federal agencies consider funding demonstration projects designed to validate best and most promising practices for braiding of funds.

Recommendation 7.2: Interagency Policy Solutions Group and Capacity Building

Consistent with the intent of facilitating employment opportunities through the use of the Ticket, the AOI Advisory Group believes that a two fold effort will be necessary: (1) develop a mechanism to deal with policy and administrative barriers through the aggressive identification of solutions to those barriers at the federal and subsequently state levels and (2) develop the local capacity of the EN system to support innovation and, in a timely fashion, expand promising practices at regional, state and local levels.

RECOMMENDATION 8: ELIGIBILITY FOR A TICKET (WHO CAN USE A “TICKET”)

Expand eligibility for using a Ticket to include beneficiaries whose conditions are expected to improve and who have not had at least one “continuing disability review,” childhood SSI beneficiaries who have attained age 18 but who have not had a redetermination under the adult disability standard, and beneficiaries who have not attained age 18.

RECOMMENDATION 9: SUSPENSION OF CDRs AND DETERMINING WHETHER A PERSON IS “USING ” A TICKET AND “MAKING PROGRESS”

Delegate responsibility for determining whether a person is “using” a Ticket and “making progress” to the EN.

Delegate sole discretion to ENs to determine whether a Ticket holder is making “timely progress” consistent with the goals, objectives, and benchmarks set out in the negotiated Individual Work Plan. Market forces will provide ample incentive for ENs to remove those individuals who are not making timely progress from their programs.

RECOMMENDATION 10: DEVELOPMENT OF A NATIONAL NETWORK OF RESEARCH, TRAINING, AND TECHNICAL ASSISTANCE CENTERS

Establish a national network of 10 research, training, and technical assistance centers.

Establish a national research, training, and technical assistance network to develop the capacity of the EN system in supporting full implementation of the Ticket Program and ensuring the adequacy of incentives for individuals with disabilities in the targeted groups.

ADDITIONAL RECOMMENDED FURTHER ACTIONS FOR ENHANCING EARNINGS AND INCOME THROUGH SELF-DETERMINATION FOR AOI TARGETED GROUPS

The following are additional recommended actions for further consideration to address the "adequacy of incentives" in the Ticket Program, especially for individuals in the targeted groups. These include recommendations for enhancing earnings and income for individuals with disabilities especially those in the targeted groups through SSA-administered programs other than the Ticket Program.

RECOMMENDED FURTHER ACTION 1: PAYMENT SYSTEM TO ENs AND UTILIZATION OF THE PASS PROGRAM.

Explore strategies to maximize utilization of the PASS program, especially for those in the AOI targeted groups, and consider how the Ticket and PASS programs can complement each other.

A Ticket holder in the targeted group could have a PASS to set aside income and resources to cover the costs of specified job related expenses such as a high cost accommodation. While this potentially could support a positive employment outcome in the future, it would potentially preclude an outcome payment for the EN. This puts ENs that encourage or assist beneficiaries to take advantage of the benefits of the PASS at a financial disadvantage. The SSA should explore strategies to maximize utilization of the PASS program, especially for those in the AOI targeted groups, and consider how the Ticket and PASS program can better complement each other.

RECOMMENDED FURTHER ACTION 2: EXPANSION OF EN POOL.

Develop guidelines clarifying how “nontraditional providers” may qualify as ENs.

Clarify how entities may qualify as ENs, that is, establish general and specific criteria on how non-traditional individuals or groups could be considered to meet the EN criteria; emphasize the ability of ENs to subcontract with family members who are capable of providing services; and discuss the feasibility of permitting the beneficiary to be his/her own EN.

RECOMMENDED FURTHER ACTION 3: CREATE AND PILOT INCENTIVES TO PROMOTE COMPLETION OF “ENHANCED INDIVIDUAL WORK PLANS.”

Explore a potential legislative change to add a fifth milestone of perhaps \$300 to the EN and a similar payment of \$300 to the beneficiary following the completion of an “Enhanced Individual Work Plan (EIWP)”. The EIWP should include a strategy for attaining specific employment goals and the development of an earnings offset profile, which would incorporate an economic “break even” analysis that details the level of earnings needed to offset the loss of all federal and state benefits.

RECOMMENDED FURTHER ACTION 4: EXPAND PARTICIPATION IN PLANS FOR ACHIEVING SELF SUPPORT.

Provide outreach to beneficiaries, partner with providers and traditional financial institutions to promote the PASS option and review policies and procedures for unintended barriers to participation in PASS program.

RECOMMENDED FURTHER ACTION 5: PASS-PLUS – USING AN ENHANCED PASS AS A VEHICLE FOR UPFRONT FUNDING.

The SSA should fund demonstration projects that test alternative funding strategies to maximize work and earnings capacity such as providing cash grants, in lieu of the Ticket, which they could use to purchase the work related services identified in the PASS Plan.

There are many individuals in the targeted groups who will require additional funding and/or skills in order to use their Ticket. There are also individuals in the four groups who may never be able to use their Ticket due to the restrictive nature of the Ticket payment systems but who can work at earnings levels less than the amount needed to eliminate eligibility for SSA disability cash payments. In other words, many individuals will work at salary levels at which they will continue to remain eligible for partial SSI benefits or at salary levels below substantial gainful activity. Further, there may be beneficiaries who have an interest in directing their own vocational rehabilitation but lack the resources to do so. For these individuals, the AOI Advisory Group recommends that the SSA fund demonstration projects that test alternative funding strategies to maximize work and earnings capacity. While the SSA may not currently have the capability to conduct these activities, the SSA is encouraged to study these issues and, if necessary, to review potential legislative changes.

RECOMMENDED FURTHER ACTION 6: ALLOW INDIVIDUALS PARTICIPATING IN PASS PLUS PLANS TO PAY ENs.

Legislative changes will be necessary to allow funds (that would result from the above PASS recommendations) to be used to pay service providers, including ENs, for their services. Since the beneficiary is the one who will control the expanded PASS Plus funds and the funds set aside in the employment savings accounts, he/she must be able to use these resources to pay the service provider, even if the provider is an EN.

RECOMMENDED FURTHER ACTION 7: EMPLOYMENT SAVINGS ACCOUNTS.

Establish individual, employment specific savings accounts, similar to current IDAs, to purchase employment related services.

The AOI Advisory Group views great potential in allowing beneficiaries who work and meet the financial eligibility criteria to establish individual, employment specific savings accounts, similar to current IDAs, and recommends such accounts be established to purchase employment related services.⁶

⁶ Note: Recent Legislation, the Social Security Protection Act of 2004 (P.L. 108-23) excludes interest and dividend income earned on countable resources (SSA 2004 Annual Report on the SSI Program).

RECOMMENDED FURTHER ACTION 8: COMPREHENSIVE REVIEW OF SSDI AND SSI.

Appoint and charge a knowledgeable group of stakeholders with the task of conducting a comprehensive review of the SSDI and SSI work incentives, such as the trial work period (TWP), extended period of eligibility (EPE), expedited reinstatement (EXR), and impairment related work expenses (IRWE), to ensure these provisions are workable and understandable for beneficiaries.

RECOMMENDED FURTHER ACTION 9: EXPANSION OF THE BPAO PROGRAM.

Expand the number of Benefits Specialists available to beneficiaries across the country, either through additional funding requests from the SSA for BPAO appropriations, or through payments to BPAO for individual benefits analysis. In considering this recommendation, it will be important to study any potential effects on the independence and objectivity of BPAOs.

Cautionary Notes

The AOI Advisory Group believes that the recommendations in this report are essential to the success of the Ticket to Work Program and that there is widespread support for immediate modification to the payment system in order to, among other things, provide ENs some up front funding relief as well as changes to reduce the administrative burden on both ENs and beneficiaries.

It is recognized, however, that some people may question the timing of some of the recommendations to reform the Ticket Program and the guiding principles on which they are based and favor a slower pace to address key policy issues. Some of these concerns are as follows:⁷

- The Ticket Program has not yet been adequately marketed or funded. In addition, there was a delayed rollout in the 13 largest states and difficulties in ENs and beneficiaries obtaining reliable information, struggles with implementation issues such as treatment of pipeline cases, payment rules and administrative data. Some believe that any new legislation as complex and far reaching as the Ticket Program is likely to achieve low initial participation rates until it can be efficiently administered by the SSA and well understood by the ENs, SSDI and SSI beneficiaries as well as relevant Federal and state agencies.
- It is widely believed that few beneficiaries are aware of existing work incentives that have been a part of the SSDI and SSI programs since their inception as well as the new

⁷ See Ticket Panel's *Annual Reports #2 and #3*. See generally articles appearing in *Paying for Results in Vocational Rehabilitation--Will Provider Incentives Work for Ticket to Work?* Edited by Kalman Rupp and Stephen H. Bell (Urban Institute, January 2003) and *Lewin* (2003).

incentives provided by the Ticket to Work and Work Incentives Improvement Act. Although the Ticket to Work Program requires trained, accessible, and responsive employees that will assist beneficiaries who attempt to work, the position has not yet been firmly established in the SSA's field offices.

- To date, there is a scarcity of definitive, reliable research findings regarding the number and characteristics of the population of individuals with disabilities in the targeted groups or the level and cost of service that will be needed. The SSA Adequacy of Incentives Study, mandated by law, is in the early stages and it is unknown with a high degree of certainty what it will take for ENs to serve these individuals.
- The possible increase in short-term costs might erode support for the program. The cumulative effect of expanding the categories of persons eligible to use a Ticket, providing increased payments to ENs and establishing additional financial incentives for beneficiaries to participate in the Ticket Program could be difficult for the many stakeholders to immediately absorb.

TECHNICAL REPORT **ADEQUACY OF INCENTIVES (AOI) ADVISORY GROUP** **SEPTEMBER, 2004**

The first section of the following report provides a brief overview of the Ticket Program. The second section describes some of the major reasons why changes are needed to the current regulatory structure. The third section presents the guiding principles for the AOI Advisory Group's recommendations. The final section presents these recommendations with rationales, cautionary notes, and further recommended actions.

OVERVIEW OF THE TICKET TO WORK PROGRAM

Purpose of the Ticket to Work Program

The purpose of the Ticket to Work Program is to expand the universe of service providers and thereby enhance the range of choices available to SSDI and SSI beneficiaries who are disabled or blind to assist them in finding, entering, and retaining self-supporting employment. Expanded opportunities for these individuals will also increase the likelihood that they will reduce or eliminate their dependency on SSDI and SSI cash benefits. [20 CFR 411.105, .180(a)]

Phase-In of the Ticket to Work Program

The new Ticket to Work Program is being phased into operation on a gradual basis at sites selected by the Commissioner of the SSA. [20 CFR 411.110, .130]

The Significance of the "Ticket"

The new Ticket to Work Program provides "Tickets" to every individual who meets eligibility criteria established by the Commissioner. A Ticket is a document issued by the SSA that provides evidence of the Commissioner's commitment to make payments of specified amounts to service providers (the technical term is "employment network") to which a SSI or SSDI beneficiary's Ticket has been assigned. [20 CFR 411.120] Participation in the Ticket Program is voluntary. [20 CFR 411.135]

Eligibility for a Ticket

In general, all SSI and SSDI disability federal cash beneficiaries age 18 through 64 are eligible for a Ticket **except:**

- Beneficiaries whose conditions are expected to improve and who have not had at least one "Continuing Disability Review;"
- Beneficiaries who have not attained age 18; and

- Childhood SSI beneficiaries who have attained age 18 but who have not had a redetermination under the adult disability standard. [20 CFR 411.125(a)]

The Employment Network's Responsibilities

The employment network (EN) is responsible for the coordination and delivery of employment services, vocational rehabilitation services, and other support services. [20 CFR 411.320] The EN must report, among other things, information to assist the Program Manager in determining whether an individual is making "timely progress" and information about a beneficiary's work activity and earnings in order to receive payment. [20 CFR 411.325]

The EN must ensure that services provided under the Ticket to Work Program are provided under an appropriate "Individual Work Plan" developed and implemented in partnership with each beneficiary receiving services. [20 CFR 411.320, .455, .460, .465]

Overview of Payment Systems

The Commissioner pays the EN under one of two systems: the outcome payment system or the outcome-milestone payment system. [20 CFR 411.505] The EN chooses which payment system it wishes to be compensated under for all individuals it chooses to serve under the Ticket to Work Program. Periodic opportunities are provided to ENs to change the payment system they are using. [20 CFR 411.505, .515] The payment systems are adjusted annually, based on recalculation of the previous year's national average monthly SSDI or SSI cash benefits for all beneficiaries and annual adjustments in the SGA amount. [20 CFR 411.500(a), .550]

There is nothing in the regulations that prohibits an EN from supplementing the funding received from the Ticket to Work Program with other sources (e.g., Workforce Investment Act of 1998 (WIA) Title I funds, training funds, Medicaid, Mental Retardation/Developmental Disabilities (MR/DD), Mental Health, etc.) in order to meet the needs of an individual. However, an EN may not request or receive compensation for services from the beneficiary. Also, other funding sources would have to allow such blending of funding.

Outcome Payment System

Under the outcome payment system, an EN can receive a monthly payment over a period not to exceed 60 months (which do not have to be consecutive) for every month the beneficiary does not receive cash benefits due to work/earnings. [20 CFR 411.525(a)(1)] The payment rate is based on 40% of the national average monthly SSDI or SSI cash benefit for all beneficiaries. [20 CFR 411.500, .550]

Using calendar year 2003 figures, under the outcome payment system, an EN could be paid the following amounts for SSDI beneficiaries (including concurrent SSI recipients): \$328 per month, \$3,936 for a 12-month period, and \$19,680 for a 60-month outcome payment period. Using the calendar year 2003 figures, under the outcome payment system, the EN could be paid the following amounts for SSI recipients: \$196 per month; \$2,352 for a 12-month period; and \$11,760 for a 60-month outcome payment period.

Outcome-Milestone Payment System

Under the outcome-milestone payment system, [20 CFR 411.525, .530, .535, .540, .575] the total amount payable to an EN is about 85 percent of the total potentially payable under the outcome payment system for the same beneficiary. This total payment consists of two parts—payments for milestones and payments for outcomes. An EN can receive payment for up to four milestones. The four milestones an EN may receive occur after the Ticket is first assigned and the beneficiary starts to work and before the beneficiary attains any outcome payment months⁸ or the Ticket terminates:

- Milestone 1 is met when an individual works for 1 calendar month and has gross earnings from employment (or net earnings from self-employment) for the month that are more than the SGA threshold amount (for 2003, the figures were \$800 per month, \$1,330 per month for individuals who are blind).
- Milestone 2 is met when an individual works for 3 calendar months out of 12 and has gross earnings from employment (or net earnings from self-employment) for each of the 3 months that are more than the SGA threshold amount.
- Milestone 3 is met when an individual works for 7 calendar months out of 12 and has gross earnings from employment (or net earnings from self-employment) for each of the 7 months that are more than the SGA threshold amount.
- Milestone 4 is met when an individual works for 12 calendar months out of 15 and has gross earnings from employment (or net earnings from self-employment) for each of the 12 months that are more than the SGA threshold amount.

If an EN receives milestone payments with respect to a Ticket, each outcome payment it receives will be reduced by an amount equal to 1/60 of the milestone payments received, rounded to the nearest cent. [20 CFR 411.530] Using calendar year 2003 figures, and assuming that once an individual begins working he/she will attain all four milestones in one year and then the 60 outcome payment months during the next five years, an EN could receive the following payments for SSDI beneficiaries (including concurrent SSI recipients): Milestone 1: \$279; Milestone 2: \$557; Milestone 3: \$1,114; Milestone 4: \$1,393; and 60 outcome payments: \$223 per month (i.e., \$279 less 1/60 of the total milestone payments, rounded to the nearest cent). Thus, in year one, the total milestone payments would equal \$3,343. Then, in each of the following 5 years, the outcome payments would equal \$2,679, for a 5-year total of \$13,397. Adding the milestone and outcome payments together, the total payment would be \$16,740 over 6 years.

Using calendar year 2003 figures, and assuming that once an individual begins working he/she will attain all four milestones in one year and then 60 outcome payment months during the next five years, an EN could receive the following payments for SSI only beneficiaries: Milestone 1: \$167; Milestone 2: \$334; Milestone 3: \$668; Milestone 4: \$835; and 60 outcome payments: \$134 per month (i.e., \$167 less than 1/60 of the total milestone payments, rounded to the nearest cent). Thus, in year one, the total milestone payments would equal \$2,004. Then, in each of the following 5 years, the outcome payments would equal \$1,603, for a 5-year total of

⁸ A milestone occurs before Federal cash benefits stop because of work or earnings. In other words, under the outcome-milestone payment system, the milestones for which payment may be made must occur **before** the first outcome payment month. Thus, an EN may actually receive fewer than four milestone payments for a particular beneficiary it serves. [20 CFR 411.535;.575]

\$8,016. Adding the milestone and outcome payments together, the total payment would be \$10,020 over 6 years.

The Amount An Individual Must Earn In Order for his/her Monthly Cash Benefits to Equal Zero

For an individual receiving SSDI, cash benefits equal zero when his/her monthly earnings exceed SGA, which for 2003 is \$800 (\$1,330 for blind individuals).⁹ For individuals receiving SSI based on disability or blindness the amount will vary depending on their monthly SSI payment and use of work incentives. However, SSI beneficiaries will generally zero out their cash payments when they earn \$1,189 or greater per month for states that have not adopted a State SSI Supplement.

Authorization for Changes in the Ticket Program

The Ticket to Work and Work Incentives Improvement Act of 1999 specifically authorizes the SSA Commissioner to “review,” “refine,” and “alter” the payment system in order to ensure that the system provides adequate incentives for employment networks to assist beneficiaries to enter the workforce while providing appropriate economies.¹⁰ More specifically, the Commissioner is authorized to alter the:

- Percentage used to calculate outcome payments (40%);
- Total permissible payments under the outcome-milestone payment system and the outcome payment system; and
- Period of time during which payments may be made (up to the 60th month).

Prior to full implementation of the program, the Commissioner is authorized to “refine” the payment schemes to ensure the most efficacious methods are determined and in place for full implementation. In addition, the Commissioner is authorized to alter the number and amounts of milestone payments to the extent the Commissioner determines that such an alteration would allow an adequate incentive for employment networks to assist beneficiaries to enter the workforce.

Further, the Commissioner is required to report to Congress with recommendations for a method or methods to adjust payment rates that would ensure adequate incentives for the provision of services by employment networks of:

- Individuals with a need for ongoing support and services;
- Individuals with a need for high-cost accommodations;
- Individuals who earn a sub-minimum wage; and
- Individuals who work and receive partial cash benefits.

⁹ See footnote 5.

¹⁰ See 42 USC 1320b-19(h)(5) and accompanying note.

For purposes of this report, the four categories of individuals described above will be referred to as “**individuals with disabilities in the targeted groups.**”

WHY CHANGES ARE NEEDED IN THE TICKET TO WORK PROGRAM (THE CURRENT REGULATORY FRAMEWORK)

Any review of the Ticket to Work Program to determine whether it is achieving its purposes must be viewed from at least three perspectives:¹¹

- SSI and SSDI beneficiaries;
- Employment networks; and
- The Social Security Administration.

From the perspective of SSI and SSDI beneficiaries, a primary goal of the Ticket Program is to maximize economic self-sufficiency by, among other things, expanding the universe of service providers--thus allowing real choices for people with disabilities.

Unfortunately, few beneficiaries are assigning tickets.¹² One reason for this, of course, is insufficient numbers and types of ENs, especially in rural areas. Another is that many of the beneficiaries most likely to benefit from a ticket—those for whom medical improvement is expected, youth under age 18, and young SSI beneficiaries who have attained age 18 and are transitioning to adult eligibility—are not eligible for one. However, many other beneficiaries who could participate in the Ticket Program and want to work are reluctant to do so. Reasons include:¹³

- Beneficiaries do not trust the SSA in matters related to work and disability.
- Beneficiaries fear that work will result in benefit overpayments.
- Regulations on "using the ticket" and "making progress," which govern whether a beneficiary will be subject to a Continuing Disability Review (CDR), reflect a one-size-fits-all approach that makes no allowance for individual differences in ability.

¹¹ The findings included in the three perspectives described in this section of the report are derived from a review of papers, articles and reports as well as anecdotes reported to and by members of the AOI Advisory Group.

¹² According to SSA, as of September 2, 2003, of the 5,334,641 Tickets issued, 2,792 have been assigned to ENs and an additional 21,670 assigned to state VR agencies. See also Ticket to Work and Work Incentives Advisory Panel *Annual Report to the President and Congress Year Two (August 2002)* [Hereinafter referred to as Ticket Panel Annual Report #2] and Ticket to Work and Work Incentives Advisory Panel *Annual Report to the President and Congress (April 2003)* [Hereinafter referred to as Ticket Panel Annual Report #3] See also *Evaluating Design for the Ticket to Work Program-Preliminary Process Evaluation*. Prepared for the Social Security Administration by The Lewin Group and its Subcontractor Cornell University (March 11, 2003) at page 61-62. [Hereinafter referred to as *Lewin (2003)*]

¹³ See generally articles appearing in *Paying for Results in Vocational Rehabilitation--Will Provider Incentives Work for Ticket to Work?* Edited by Kalman Rupp and Stephen H. Bell (Urban Institute, January 2003). See also Ticket Advisory Panel's *Annual Reports #2 & #3*.

- Reluctance of disability organizations to aggressively market the Ticket Program for various reasons, including concerns over long-term eligibility for beneficiaries, e.g., disabled adult children (DACs).
- Work disincentives, such as the "cash cliff" that results in the precipitous loss of all benefits when an individual continues to engage in SGA after a trial work period, continue to exist in the SSDI program.
- Existing work incentives are so numerous and complex that, even within the SSA, only a small number of specialists understands them and how earnings will affect SSI, SSDI, and other program benefits. Beneficiaries often view these work incentives as too complicated to trust and feel that going to work would be too risky.

The Ticket Program lacks tangible incentives to beneficiaries that might help overcome these disincentives to participation in the program.

From the perspective of service providers (ENs), the primary purpose of the Ticket Program is to enable them to expand their client base, which it could accomplish by providing financial incentives to ENs and eliminating the requirement that beneficiaries first go through a state vocational rehabilitation program.

Unfortunately, since the inception of the Ticket Program, only a small number of ENs has chosen to participate actively in the program by accepting tickets.¹⁴ Reasons include¹⁵:

- The payment system's minimal up-front funding fails to recognize the capitalization and cash flow needs of most service providers other than State VR agencies and large non-profits.
- ENs are averse to the level of risk that the payment system imposes on them. The outcome payment system requires that they assume all the financial risk of providing services to someone for compensation that will occur only if benefits later stop because of earnings. The milestone-outcome payment system provides for some risk sharing, but ENs must accept a 15-percent reduction in total possible compensation in order to get the milestone payments. This is true of SSI as well as SSDI milestone payments, although it can reasonably be argued that current SSI milestone payments involve no risk to the SSA, since the earnings on which they are based generate SSI program savings that, in effect, pre-fund them.
- Making outcome payments only when earnings fully eliminate benefits ensures that ENs will not knowingly provide services to beneficiaries whose earnings are unlikely to fully eliminate their benefits and ignores two important realities:
 - A considerable percentage of beneficiaries who are potential clients of ENs may be able to work only part-time due to their disability; and
 - Even part-time work generates SSI program savings.

¹⁴ See e.g., Ticket Panel Annual Reports #2 and #3. See also *Lewin at page 59* (2003).

¹⁵ See e.g., Ticket Advisory Panel's *Annual Reports #2 & #3*; *Lewin* (2003) at pages 82-83.

- Making outcome payments only when earnings fully eliminate benefits thus may preclude SSI program savings that the Ticket Program could be generating.
- Documenting earnings imposes significant administrative burdens on ENs.
- Responding to demands by Ticket holders to explain the program and provide services on demand imposes a significant administrative burden on ENs.

From the perspective of the SSA, the primary purpose of the Ticket Program is to produce cost savings to the SSI program and to the SSDI Trust Fund.¹⁶ The primary strategy set out in the current regulations is to make outcome payments to ENs only when individuals return to work and generate sufficient earnings to result in the payment of zero cash benefits (total elimination of dependency on cash benefits, i.e., full economic self-sufficiency). [20 CFR 411.525(b)]

¹⁶ See 20 CFR 411.105, .180(a). "According to the U.S. General Accounting Office, less than one percent of SSDI and SSI beneficiaries leave the rolls each year as a result of paid employment. Of those who leave, about one-third return within three years. If just one-half of one percent of the current SSDI and SSI beneficiaries were to cease receiving benefits as a result of engaging in self-supporting employment, saving in cash benefits would total \$3.5 billion over the work-life of those individuals." [Preamble to the Final Rule implementing the Ticket to Work program, 66 FR 67370 (December 28, 2001)]

GUIDING PRINCIPLES FOR RECOMMENDATIONS FOR CHANGE¹⁷

1. The AOI Advisory Group believed that the success of the Ticket to Work Program should be viewed from and address three perspectives:
 - **SSI and SSDI Beneficiaries**--Does the Ticket Program make eligible all of those that may (or are most likely to) benefit from the program, maximize economic self-sufficiency (make work pay), address the needs of individuals with disabilities in the target groups, allow for a degree of asset retention to support independent living, facilitate informed and real choice of providers? Is the program easy to understand and is there a local source of unbiased information about the Ticket?
 - **Employment Networks**--Does the Ticket Program encourage competition and innovation, make it easy/simple for participation (e.g., documentation of earnings) and provide sufficient incentives for providers to accept and serve beneficiaries, including individuals with disabilities in the target groups?
 - **The SSA**--Does the Ticket Program result in cost savings to the SSA program and the SSDI Trust Fund and is it easy to administer?
2. Individuals with disabilities in the targeted groups may not be a sliver or small percentage of the population of Ticket holders; rather, they may well represent a significant majority of Ticket holders.¹⁸ Therefore, the structure of the payment system as a whole should reflect this reality.
3. The Ticket Program should recognize the heterogeneity of the population of persons with disabilities receiving cash assistance under SSI and SSDI-- some persons are not capable of working, some are capable of working part-time (some above and some below SGA), some are capable of working full-time, and some are capable of working intermittently. The Ticket Program should address the needs of consumers with disabilities by recognizing the unique needs of the individual (individualization rather than one-size-fits-all) in determining whether the individual is making progress toward economic self-sufficiency.

¹⁷ The presentation of guiding principles is not necessarily in order of priority.

¹⁸ See e.g., Presentation "Characteristics of Disability Beneficiaries" at the EN Summit (May 22-23, 2003) by Linda J. Smith, Director, Office of Data Analysis, Office of Program Development and Research, Office of Disability and Income Security Programs, Social Security Administration. Smith presented, among other things, that the primary impairment for 48% of beneficiaries is a mental disability with 40% of DI & DI/SSI and 60% of SSI only. The top 7 primary impairments (56% of beneficiaries) are affective disorders, mental retardation, schizophrenia, back, organic mental, anxiety, and osteoarthritis. Stapleton and Livermore in an article entitled "*A Conceptual Model and Evaluation Strategy for the Empirical Study of the Adequacy of Incentives in the Ticket to Work Program*" appearing in *Paying for Results in Vocational Rehabilitation--Will Provider Incentives Work for Ticket to Work?* Edited by Kalman Rupp and Stephen H. Bell (Urban Institute, January 2003) conclude that individuals with disabilities in the targeted groups defy simple characterization. They report that thirteen percent of all beneficiaries between the ages of 18 and 64 have mental retardation as their primary impairment, and 22 percent have a psychiatric disorder. Those who receive SSI only, by definition, have very limited work experience and many became recipients as children. Many beneficiaries also have limited education. [page 73]

4. In order to judge the degree of success of the Ticket Program, it is important that there be a critical mass of program participants. Changes should be made to the program to increase participation by individuals and ENs to sustain such a critical mass. Thus, any reform efforts should be designed to increase EN participation and the number of people using the Ticket.
5. The Ticket Program should reflect the findings of the literature¹⁹ and other sources of information regarding "best" and "promising" practices demonstrating the clear success in assisting individuals with disabilities in the targeted groups entering and returning to work (both full and part-time employment) when provided appropriate services and supports, including ongoing services and supports.
6. Any demonstrations supported by the SSA to remove work disincentives under the SSDI or SSI programs should not punish ENs by creating work incentives for individuals, which, if exercised, will make it more difficult for ENs to receive payment.
7. The Ticket Program is not the "be all and end all" for all beneficiaries. For some beneficiaries, there will be a need for a blended system for funding needed services and supports. For others, the Ticket Program may not be the answer at all. For example, the Ticket Program should focus on real work in integrated settings in the community at minimum wage or higher wage based on individual choice and control. The Ticket Program is not currently designed nor should it be redesigned to reward service providers paying sub-minimum wage--which is the focus of other Federal programs such as Section 14(c) of the Fair Labor Standards Act.
8. The Ticket Program should not be viewed in isolation from other programs and policies. It is important to recognize that the degree of success of the Ticket Program may depend on other factors such as the continued existence of the "cash cliff" under the SSDI law and the presence of a Medicaid Buy-In program as part of a comprehensive, person-centered state employment initiative.
9. The SSA should recognize that in addition to creating a disincentive for beneficiaries to work, **overpayments** present a particular problem for ENs under the Ticket Program.

Consistent with the guiding principles set out above, the Ticket payment scheme should:

- Recognize the appropriateness of a policy of partial self-sufficiency by rewarding ENs that are able to reduce as well as eliminate an SSI or SSDI beneficiary's dependence on cash assistance programs.
- Share the risk between the SSA and the ENs.
- Provide adequate up-front payments to ENs to generate interest.

¹⁹ See e.g., Wehman and Revell in an article entitled "*Lessons Learned from the Provision and Funding of Employment Services for the MR/DD Population--Implications for Assessing the Adequacy of the SSA Ticket to Work*" appearing in *Paying for Results in Vocational Rehabilitation--Will Provider Incentives Work for Ticket to Work?* Edited by Kalman Rupp and Stephen H. Bell (Urban Institute, January 2003).

- Provide incentives for serving persons with disabilities who are capable of working part-time, including individuals with disabilities in the targeted groups.
- Recognize that the initial nine months of employment are the most intense phase of work supports for individuals with disabilities (particularly those individuals with disabilities in the targeted groups) by providing milestones for reaching significant earnings (but less than SGA).
- Provide outcome payments for reaching SGA.
- Provide bonuses for significant earnings above SGA.
- Reduce to a minimum the difference in payments between the milestone and outcome payment schemes.
- Reduce or eliminate the potential conflict of interest between an EN and an individual using work incentives by using gross income instead of net income.
- Allow the EN to recoup lost revenue for unsuccessful efforts through payments for successful participants.
- Enable ENs to leverage other funds to support individuals with disabilities, particularly those individuals with disabilities in the targeted groups.
- Treat SSI and SSDI beneficiaries in a comparable manner to the extent possible given the current work incentives and benefit levels under the two programs.
- Minimize scenarios where there are no net savings for the SSA.
- Provide incentives for individuals to participate by providing bonuses to the individual for reaching specified earnings levels and allowing such bonuses to be placed in IDAs or other special accounts earmarked for enabling the individual to live independently in the community (asset development).

RECOMMENDATIONS FOR IMPROVING IMPLEMENTATION OF THE TICKET TO WORK AND SELF-SUFFICIENCY PROGRAM (REGULATORY AND ADMINISTRATIVE CHANGES)

Regulatory and administrative recommendations for changes to improve the implementation of the Ticket Program were made with a primary focus on recommendations to improve the adequacy of incentives for individuals with disabilities in the targeted groups. Additional recommendations were included to the extent that they related to improving the adequacy of incentives for all beneficiaries. The recommendations reflect the overarching goals of the President's New Freedom Initiative--maximizing economic self-sufficiency, independent living, and informed choice of individuals with disabilities, including individuals with disabilities in the targeted groups.²⁰

It is important to note that the AOI Advisory Group recognized that these regulatory and administrative changes, if adopted, would remove some but not all of the disincentives to Ticket utilization for individuals with disabilities in the targeted groups. The AOI Advisory Group carefully examined a number of issues and made recommendations (including recommendations that may require legislative changes) to address the "adequacy of incentives" in the Ticket Program for individuals with disabilities in the targeted groups.

RECOMMENDATION 1: THE PAYMENT SYSTEM TO ENs

Adjust the payment system to ENs to allow beneficiaries to progress incrementally toward self-sufficiency in three steps.²¹

As stated previously, people with disabilities receiving cash payments under the SSI and SSDI programs are a heterogeneous population. Many people with disabilities, particularly those individuals with disabilities in the targeted groups, do not go directly from cash assistance to full economic self-sufficiency; rather, they make incremental steps with some only achieving partial self-sufficiency.

The proposed payment scheme is based on a gradual movement from initial efforts at self-sufficiency, to partial self-sufficiency, to full self-sufficiency. For purposes of this proposal:

- **Initial efforts at self-sufficiency** is defined as **\$600** per month for 2003 (50% of full self-sufficiency);

²⁰ See Executive Order No. 13217 "Community-Based Alternatives for Individuals with Disabilities" (June 18, 2001).

²¹ See Ticket Advisory Panel's *Annual Reports #2 & #3*. See also Ticket to Work and Work Incentives Advisory Panel Advice Report to the Commissioner of Social Security Administration on the Notice of Proposed Rulemaking for the Ticket to Work and Self-Sufficiency Program (July 26, 2001) [Hereinafter referred to as the Ticket Advisory Panel's Report on Proposed Ticket Regulations]. These reports include several recommendations for revising the payment systems, including recommendations to revise the milestones (including individualized milestones for individuals with disabilities in the targeted groups), making payments to ENs when benefits are reduced as well eliminated, restructuring the payment systems for SSI beneficiaries in order to account for existing work incentives, and developing two milestone outcome payment systems--one for SSI beneficiaries and another for SSDI beneficiaries that takes into account the differences between the two programs. In addition, the Reports stress the need for additional marketing, outreach, training, and technical assistance.

- **Partial self-sufficiency** is defined as 67% of full self-sufficiency i.e., **\$800** per month for 2003 (SGA); and
- **Full self-sufficiency** is defined, as the point where the SSI beneficiary ceases to receive a check i.e., is no longer in need of any federal financial assistance. For 2003 that figure is \$1189 which has been rounded up here to **\$1200** per month for 2003. That equates to 150% of the current SGA level.²²

In sum, this proposal allows a beneficiary to progress from initial efforts toward self-sufficiency to partial self-sufficiency (SGA) and eventually to full self-sufficiency in three steps, 50%, 67% and 100%.

The proposal creates a workable methodology for Ticket payments under the SSI \$1 for \$2 gradual rather than precipitous loss of benefits policy, which may be used for the SSDI law under demonstration authority included in the Ticket to Work and Work Incentives Improvement Act.

Milestone/Outcome Payment System²³

Milestone 1: Job Placement (2 Weeks)--	\$1,000
Milestone 2: 2 months Job Retention----	\$1,000
Milestone 3: 5 Months Job Retention---	\$1,000
Milestone 4: 9 Months Job Retention---	<u>\$1,000</u>
Total Milestones	\$4,000

All Milestones require income of at least \$600 for 2003 (i.e., initial efforts at self-sufficiency). Setting the earnings rate at \$600 for 2003 ensures that a beneficiary's income will exceed the Trial Work Period level²⁴ for all Milestone payments.

Milestone 1 will be paid based on income after 2 weeks exceeding \$300 [\$600 per month x .50 (2 out of 4 weeks) = \$300].

All earning figures are **gross wages** to avoid penalizing beneficiaries who use work incentives.²⁵

Outcome payments will be made on a **quarterly basis²⁶** when average gross wages exceed the standard for partial self-sufficiency (\$800 per month for 2003) or the standard for full self-sufficiency (\$1,200 per month for 2003). Therefore, an outcome payment will be made to an EN if a beneficiary achieves partial self-sufficiency i.e., the beneficiary's gross wages per quarter

²² Under this proposal, only earnings at or above the federal or state minimum wage would be counted. In addition, the \$600 (initial efforts at self-sufficiency), \$800 (partial self-sufficiency), and \$1,200 (full self-sufficiency) would be adjusted (indexed) each year.

²³ Under the proposal, the milestone payments and the outcome payments would be indexed in a manner comparable to the policy currently included in the Ticket regulations.

²⁴ See footnote 5.

²⁵ For self-employment, the regulatory framework should continue to use net income before work incentives.

²⁶ The AOI Advisory Group recognizes that a quarterly payment approach may create cash flow problems for some ENs that may more than offset the administrative savings. Further analysis and input may be required.

are at or above **\$2,400** (\$800 x 3 months). An enhanced outcome payment will be made to an EN if a beneficiary achieves full self-sufficiency i.e., the beneficiary's gross wages per quarter are at or above **\$3,600** (\$1,200 x 3 months).²⁷

Outcome Payments at Partial Self-Sufficiency Level

- For **Qtrs 4-8** – EN Payment of **\$800** per quarter if gross earned income is at or above \$2400 for the Quarter (\$800/mo. x 3 months)
- For **Qtrs 9-20** – EN Payment of **\$600** per quarter if gross earned income is at or above \$2400 for the Quarter (\$800/mo. x 3 months)
- **Total Outcome payments:** \$11,200

Outcome Payments at Full Self-Sufficiency Level

- For **Qtrs 4-8** – EN Payment of **\$1000** per quarter if gross earned income is at or above \$3600 for the Quarter (\$1200/mo. x 3 months)
- For **Qtrs 9-20** – EN Payment of **\$750** per quarter if gross earned income is at or above \$3600 for the Quarter (\$1200/mo. x 3 months)
- **Total Outcome Payments:** \$14,000

Totals: Milestones + Outcome Payments

- **Partial Self-Sufficiency Level:** \$15,200 (\$4,000 milestones + \$11,200 outcome payments)
- **Full Self-Sufficiency Level:** \$18,000 (\$4,000 milestones + \$14,000 outcome payments)

Outcome Only Payment System

Outcome Payments at Partial Self-Sufficiency Level

- For **Qtrs 1-8** – EN Payment of **\$1000** per quarter if gross earned income is at or above \$2400 for the Quarter (\$800/mo. x 3 months)
- For **Qtrs 9-20** – EN Payment of **\$700** per quarter if gross earned income is at or above \$2400 for the Quarter (\$800/mo. x 3 months)
- **Total Outcome Payments:** \$16,400

²⁷ Unemployment insurance payroll records are available to SSA from most states through data sharing agreements. The amount of earned income is reported by employers to the state unemployment insurance system (UI) each quarter and is available electronically for most working beneficiaries. This electronic data could be used by SSA to automatically trigger milestone or outcome payments if such data were based on quarterly earnings rather than monthly earnings. Quarterly outcome payments would be based on gross wages for the quarter that exceeded the payment standard, for example, \$800 x 3 months = \$2,400 income for a full quarter above SGA for achieving partial-self-sufficiency. If this standard were adopted, the average monthly income for the quarter would determine the payment level.

Outcome Payments at Full Self-Sufficiency Level

- For **Qtrs 1-8** – EN Payment of **\$1200** per quarter if gross earned income is at or above \$3600 for the Quarter (\$1200/mo. x 3 months)
- For **Qtrs 9-20** – EN Payment of **\$800** per quarter if gross earned income is at or above \$3600 for the Quarter (\$1200/mo. x 3 months)
- **Total Outcome Payments: \$19,200**

Comparison Between Outcome-Milestone Payment System and Outcome Payment System

Partial Self-Sufficiency:

- Outcome-Milestone Payment System: \$15,200
- Outcome Payment System: \$16,400

Full Self-Sufficiency:

- Outcome-Milestone Payment System: \$18,000
- Outcome Payment System: \$19,200

Rationale for Proposal to Refine the Payment System

This proposal for refining the Ticket outcome-milestone and outcome payments systems is consistent with and reflects the guiding principles enunciated above. More specifically, the proposal:

- Recognizes the appropriateness of a policy of partial self-sufficiency by rewarding ENs that are able to reduce as well as eliminate a beneficiary's dependence on cash assistance programs. [See 20 CFR 411.105, .180(a)] The proposal recognizes the heterogeneity of the population by allowing a beneficiary to progress in three steps from initial efforts at self-sufficiency (50% of full self-sufficiency) to partial self-sufficiency (67% of full self-sufficiency, SGA) and eventually to full self-sufficiency.
- Preserves cost savings (See charts in Appendix 1).
- Simplifies the SSA's administration of the program by, among other things, creating one payment for both SSI recipients and SSDI beneficiaries at the higher SSDI level, reducing the penalty for choosing the Milestone option, and using administrative data sources (e.g., UI data) to automatically trigger payments to ENs.
- Encourages EN participation by providing greater shared risk and greater upfront payments and by allowing for payment at a lower work standard for persons with the most significant disabilities (including individuals with disabilities in the targeted groups)

that are only capable of working part-time. At the same time, the proposal does not incentivize sub-minimum wages. In addition, the proposal reduces administrative burden on EN's by eliminating the need to obtain wage verification. By paying outcome payments on a quarterly basis and having the SSA verify gross income using Unemployment Insurance data sources, the outcome payments can be automated and expedited.

- Enhances choice for Ticket holders (including individuals with disabilities in the target groups) by allowing them to work up to self-sufficiency in manageable/realistic steps and makes incentive payments to beneficiaries to reach independence.
- Creates a workable methodology for Ticket payments under the SSI \$1 for \$2 gradual rather than precipitous loss of benefits policy, which may serve as a model for the SSDI program under demonstration authority included in the Ticket to Work and Work Incentives Improvement Act by:
 1. Recognizing that the initial nine months of employment are the most intense phase of work supports for individuals with the most significant disabilities by providing milestones for reaching significant earnings (but less than SGA);
 2. Providing outcome payments for reaching SGA; and
 3. Providing "bonuses" for significant earnings above SGA.
- Eliminates the potential conflict of interest between the EN and the beneficiary by using gross wages for all payments, i.e., no disincentive for individuals to use work incentives. ENs will be paid whether or not their customers use work incentives.
- Recognizes many problems for ENs associated with overpayments, delayed payments and under payments would be eliminated by use of gross wages not net and use of UI records to trigger payments.

Cost/Benefit Implications

The charts in Appendix 1 describe the costs to the SSA for making payments under the proposed outcome payment system and the outcome-milestone payment system. The charts also describe the benefits and cost savings to the SSA.

RECOMMENDATION 2: BENEFICIARY INDEPENDENCE INCENTIVES

Increase beneficiary independence incentives by establishing individual development accounts.

The overarching goal of the President's New Freedom Initiative is to maximize economic self-sufficiency and independent living for persons with significant disabilities. The primary goal of the Ticket Program is to increase employment and decrease benefit dependency among people with disabilities. To further these related objectives, it is recommended that Individual Development Accounts be created for SSDI and SSI disability beneficiaries who work and meet the financial eligibility criteria.

An IDA is a trust-like bank account that helps an individual save for a specified purpose, usually post-secondary education, the purchase of a home, or business start-up such as micro-enterprises (the purposes could be expanded to include savings for assistive devices). An individual makes deposits from his or her earnings. The individual's deposits are matched at various rates from various sources, which can include Assets for Independence Act (AFIA) grant funds, Temporary Assistance to Needy Families (TANF) funds, State funds, and contributions from private entities. IDA programs also provide financial counseling.

SSI rules would treat funds deposited to and held in these accounts as they now treat federally supported IDAs. In other words, deposits to the account would not count as income and funds held in the account would not count toward the SSI resource limit of \$2,000. IDA limits could be set at amounts such as \$10,000. IDAs would be beneficial to SSDI beneficiaries as well since the SSDI program does not provide individuals with the means to build sufficient assets to become more independent. SSDI beneficiaries would receive the same matched income in IDAs as provided to SSI beneficiaries. Incorporating IDAs into the Ticket Program will work to help beneficiaries, both SSI and SSDI, acquire assets and thus, become more self-sufficient.

The procedural details of this proposal will require further analysis and the proposal may require one or more legislative changes.

RECOMMENDATION 3: VR AGENCY REIMBURSEMENT + EN OUTCOME PAYMENTS

Implement *Partnership Plus* – the state vocational rehabilitation cost reimbursement and employment network outcome payment option.

Under the current Vocational Rehabilitation (VR) program (Title 1 of the Rehabilitation Act), the state VR agency pays for time-limited costs related to the provision of vocational rehabilitation services and supports, including supported employment. Other sources of funding must be secured to pay for ongoing services and supports. The premise for this recommendation is that the Ticket Program should recognize the reality that some beneficiaries require both time-limited and ongoing services and supports in order to maintain and retain employment, particularly individuals with disabilities in the targeted groups.

This proposal supplements, it does not supplant, existing options available under the Ticket Program. VR still would have the option to select cost reimbursement only or milestone/outcome payments, on a case-by-case basis, as they do under the current regulations. This proposal would create a third option for VR to select in partnership with private ENs.

Under the “Partnership Plus” option, an eligible Ticket holder could receive vocational rehabilitation services from the VR agency (including supported employment and other time-limited employment the State VR agency provides vocational rehabilitation services, including supported employment-related services and supports) and then receive ongoing services and supports from an EN. The VR agency would receive payment from SSA under the cost reimbursement payment system i.e., when an individual is earning at or above SGA for nine months during a twelve month period. Prior to or after VR reimbursement billing is submitted to SSA, ENs could accept a Partnership Plus Ticket and provide necessary ongoing services and supports. Under the Partnership Plus option, the value of the Ticket would not exceed the value of the outcome payments available under the outcome-milestone payment system. Thus, under the Partnership Plus Option, the EN would not be entitled to milestone payments. The cost reimbursement payments to VR would be in lieu of the milestones.

It is important to note that this option could be implemented within the existing Ticket payment structure or within the payment structure proposed above by the AOI group. As such, the Partnership Plus implementation could occur under both payment structures. Savings will accrue to the Trust Fund (SSDI) and the Treasury (SSI) as a result of earnings by SSDI and SSI beneficiaries. The value of the Ticket shall not exceed the value of the outcome payments available under the outcome-milestone payment system (\$11,200 outcome payments for partial self-sufficiency and \$14,000 for full self-sufficiency under the AOI proposed payment scheme).

Some of the advantages of the above proposal are as follows:

- State VR agencies would bear the risk of providing up front training and placement costs. Partnering ENs would only provide job retention and follow along services at the point the person was working at partial or full self-sufficiency. Partnering ENs would not bear the risk of training and placement costs that may never result in an individual working at partial or full self-sufficiency. Therefore, this option creates a low risk option for ENs to participate in the Trial Work Period and provide services for individuals with disabilities in the targeted groups.
- This proposal would increase the likelihood that the State VR cost reimbursement would lead to a substantial reduction of benefits paid. Under the current regulations the SSA reimburses VR for costs if that individual works for nine consecutive months above SGA. However, if the consumer ceases working shortly after the nine-month period the SSA would recoup only limited savings in benefits paid. Under this proposal the partnering EN has a financial incentive to ensure the beneficiary continues working at full or partial self-sufficiency beyond the nine-month period, therefore increasing the likelihood that the SSA will recoup savings in benefits paid.
- This proposal promotes partnership between VR and ENs to work together on behalf of SSI and SSDI beneficiaries, in particular those that need ongoing services and supports.

More specifically, this proposal includes the following essential elements:

Recipient Eligibility. Our recommendation is that all Ticket holders would be eligible for the Partnership Plus option. If SSA determines for legal, cost or administrative reasons that the eligibility for this option should be restricted to some, but not all of the current Ticket holders, we recommend that SSA develop a process for "screening out" beneficiaries who would not be eligible for the Partnership Plus option. In the alternative, SSA might consider a nationwide demonstration project limiting the Partnership Plus option to Ticket holders who require ongoing services and supports to attain the earnings levels required under the Ticket program. A Ticket holder could be considered to require such ongoing services and supports if his or her case is designated "medical improvement not expected" by SSA and/or the Ticket holder is eligible for supported employment services under The Rehabilitation Act. Both criteria are objective proxies for persons requiring ongoing services and supports to maintain or increase earnings. Both criteria are necessary for a number of reasons, including the reality that many persons with severe mental illness do not fall under the first category. SSA could also develop an administrative mechanism for allowing case-by-case determinations of need for ongoing services and supports for individuals who do not satisfy the objective standards.

Official Holder of the Ticket. The SSI/SSDI beneficiary can assign his or her Partnership Plus Ticket to the EN at any time (e.g., the assignment may occur during the period VR is providing supported employment).

Relationship Between Partnership Plus and Other Options. The Partnership Plus option creates an additional option for Ticket holders requiring ongoing services and supports to maintain or increase earnings above SGA after VR has assisted a beneficiary to earn at or above SGA for nine consecutive months. The Partnership Plus option does not supplant existing options available under the Ticket program. For example, once a beneficiary selects a VR agency, the agency still would have the option to select cost reimbursement only or milestone/outcome payments, on a case-by-case basis, as they do under the current regulations.

Fair Partnership Between VR/ENs. After the SSI/SSDI beneficiary agrees to assign the Partnership Plus Ticket to an EN, VR cannot **require** sharing of outcome payments.

Reimbursement for Upfront VR Costs. Under Title I of the Rehabilitation Act, the VR agency provides the vocational rehabilitation services, including supported employment and other time-limited employment-related services and supports, either directly or through contract with the EN. Under cost reimbursement, if the SSI/SSDI beneficiary achieves nine months of employment above SGA, VR is able to submit to SSA for the full cost reimbursement of services provided. Under the Partnership Plus option, VR can only bill for cost reimbursement. As explained above, VR cannot require the EN share subsequent outcome payments under the outcome-milestone payment system.

Payment for Long Term Outcomes. The EN provides employment services and supports after the point VR time limited services end. As noted, the EN may be the provider of these services under contract with VR. If the SSI/SSDI beneficiary maintains employment at a sufficient level to initiate outcome payments, the EN is then eligible to charge SSA for outcome payments under the outcome-milestone payment system. As noted, the EN cannot charge for milestone payments

under this option. As with the current structure of the Ticket program, the EN is eligible to charge SSA for up to five years of (non-consecutive) employment at specified earnings levels.

CURRENT LAW

Eligibility Under the Ticket Program

Under the Ticket Program, an SSI/SSDI beneficiary is eligible for a Ticket if he/she meets the following eligibility criteria. An SSDI disabled beneficiary must be age 18 to 64, and an SSI disabled beneficiary must be aged 18 to 64 and be eligible for disability payments under the disability standard for adults. In addition, a disabled beneficiary must be in "current pay status" for monthly cash benefits based on disability under the SSDI program or monthly Federal cash benefits based on disability or blindness under the SSI program. Further, the disabled beneficiary must either have a permanent impairment (medical improvement not expected) or a nonpermanent impairment (i.e., an impairment for which medical improvement is possible but cannot be predicted or have an impairment that is expected to improve and have undergone at least one Continuing Disability Review.

Participation in the Ticket Program by VR Agencies and ENs

The statute specifies that each State VR agency may elect to participate in the Ticket Program as an employment network with respect to a disabled beneficiary. If the State VR agency elects to participate in the Ticket Program, the agency shall also elect either the outcome payment system or the outcome-milestone payment system. If the State VR agency does not elect to participate in the Ticket Program, it will be paid under the cost reimbursement payment system in effect before the enactment of the Ticket to Work and Work Incentives Improvement Act. The regulations issued by the SSA take a somewhat different approach. The SSA regulations specify that on a case-by-case basis, the State VR agency may participate in the Ticket Program either as an employment network and thus be paid under the outcome payment system of the outcome-milestone payment system or under the cost reimbursement payment system.

The key features of the cost reimbursement program are as follows:

The VR agency may only request reimbursement if the SSI/SSDI beneficiary is employed for a continuous period of nine months above SGA within a twelve-month period. The SSI/SSDI beneficiary does not have to be off cash benefits for VR to be eligible for reimbursement.

The VR agency can bill the SSA for all reasonable direct costs of serving that SSI/SSDI beneficiary plus a monthly administrative cost. The average reimbursement amounts vary widely from state to state but the national average is about \$12,000.

The VR agency bills the SSA for a lump sum payment (once the cost reimbursement employment criteria are met) as opposed to monthly outcome payments over a five-year period.

Reimbursements under the cost reimbursement payment system amount to an average of approximately 5% of VR agencies' budgets; with some states reporting substantially higher percentages. The Rehabilitation Services Administration (RSA) requires VR agencies to treat reimbursements as program income and only allows the agencies to use the funds on vocational rehabilitation services (including supported employment services) and independent living services.

Under the current regulations, if the State VR agency was paid under the cost reimbursement payment system, an employment network is **precluded** from receiving payment from the SSA under one of the employment network payment systems with respect to the same beneficiary. Similarly, if an employment network has been paid by the SSA under one of the employment network payment systems, a State VR agency is **precluded** from receiving payment from the SSA under the cost reimbursement payment system with respect to that same beneficiary.

Provision of Vocational Rehabilitation Services (Including Supported Employment) Under the Rehabilitation Act

Under the current VR program (Title I of the Rehabilitation Act), an individual is eligible for assistance if he or she is an individual with a disability and requires vocational rehabilitation services to prepare for, secure, retain, or regain employment. An SSI or SSDI recipient is considered to be an individual with a significant disability and **presumed** to be eligible for vocational rehabilitation services (provided that the individual intends to achieve an employment outcome) unless the VR agency can demonstrate by clear and convincing evidence that such individual is incapable of benefiting in terms of an employment outcome from vocational rehabilitation services due to the severity of the disability of the individual.

In the event that vocational rehabilitation services cannot be provided to all eligible individuals with disabilities who apply for services, the State plan must show the order to be followed in selecting eligible individuals (order of selection), provide justification for the order of selection, establish criteria, and assure that individuals with the most significant disabilities will be selected first for the provision of vocational rehabilitation services.

After the individual (who satisfies the order of selection criteria) is determined eligible, an assessment is completed, and an individualized plan for employment has been developed and agreed to, the VR agency provides or pays for time-limited costs related to the provision of vocational rehabilitation services and supports, including supported employment services.

Specific regulations govern the provision of supported employment services. The term "supported employment" means competitive work in integrated work settings for individuals with the most severe disabilities who, because of the nature and severity of their disabilities need intensive supported employment services (including ongoing support services, follow-up services and discrete post-employment services following transition that are unavailable from the extended service provider) from the State VR agency **and extended services** (ongoing services and supports **provided by other entities or agencies**) after transition in order to perform work. Supported employment includes **transitional employment** for individuals with the most severe disabilities due to mental illness. The State VR agency may not provide supported employment services to an individual unless it has identified a source for the extended services or to the

extent that it is not possible to identify the source of extended services at the time of the Individualized Plan for Employment is developed, a statement describing the basis for concluding that there is a reasonable expectation that sources will become available.

NEED FOR A PARTNERSHIP- PLUS OPTION

The current policy governing the Ticket Program fails to recognize the reality that SSDI and SSI beneficiaries often require both time-limited services as well as ongoing and/or long-term services and supports in order to maintain, retain, and advance in employment (particularly individuals with disabilities in the AOI targeted groups) at income/earnings levels that enable them to be self-sufficient. Under the existing Ticket Program, ENs are precluded from receiving payment from the SSA for providing ongoing services and supports once VR has been paid under the cost reimbursement system. The SSA is not assured significant cost savings for recipients served by VR and paid under the cost reimbursement system who require ongoing services and supports to maintain or increase earnings above SGA.

Set out below are more detailed explanations of the need for the Partnership Plus option from the perspectives of recipients, ENs, VR agencies, and the SSA.

From the Recipient's Perspective:

There is a lack of ENs willing to accept Ticket assignment especially for SSDI/SSI beneficiaries in the four AOI target groups. According to Maximus, only 35 percent of the 1,000 providers who have signed up as ENs have accepted a Ticket.

Many SSI/SSDI beneficiaries in the AOI target groups may require both time limited vocational rehabilitation services as well as ongoing services and supports to achieve or sustain employment above SGA.

The Ticket Program was intended to increase choice of providers for SSI/SSDI beneficiaries. However, to date the overwhelming majority (89% as of January 2004) of Tickets have been assigned to VR agencies.

SSI/SSDI beneficiaries served by VR have no option under the Ticket Program to receive necessary ongoing services and supports from ENs because VR only gets reimbursed for the reasonable costs incurred prior to and during the nine-month period and ENs are precluded from seeking payment for providing services once VR has been reimbursed.

Selecting to work with an EN may limit a beneficiary's ability to use work incentives because utilization may impact an EN's outcome payments and inadvertently exclude recipients who need to progress more slowly toward employment that make them self-sufficient.

From the Employment Network Perspective:

Only a small number of ENs have chosen to actively participate in the Ticket Program for various reasons, including lack of upfront capitalization and lack of shared risk.

As explained above, the overwhelming majority of Ticket users have assigned their Tickets to VR agencies.

It has been reported that many ENs are often unwilling or unable to compete with VR agencies for Ticket assignment and many ENs express concern that they are disadvantaged when negotiating agreements with public VR agencies. A major factor is that many ENs are also vendors with contractual relationships with VR agencies that often receive a substantial portion of their funds for vocational services from VR agencies. As a result, it has been reported that ENs are unwilling to jeopardize potential VR referrals by competing with VR for Ticket assignment.

Certain beneficiaries who require a slower path to full employment and need to utilize work incentives to support their career path are generally not enticing to ENs who chose outcome payments.

Most ENs do not have the capital to front costs associated with providing accommodations and assistive technology devices and services to certain beneficiaries in the four targeted groups that may need these devices and services to become ready to work.

From the VR Agency Perspective:

As explained above, the overwhelming majority of Tickets have been assigned to VR agencies.

Unlike ENs, VR agencies have the option of either using the traditional cost reimbursement payment option or the outcome or outcome/milestone payment system options. In the overwhelming proportion of cases (over 90%), VR agencies have selected the cost reimbursement system over the outcome or outcome/milestone payment systems.

Unlike ENs, VR agencies are required to serve all eligible applicants. SSI and SSDI beneficiaries by definition are "presumptively" eligible for VR services. Hence, VR agencies cannot screen out (as ENs can) SSDI/SSI beneficiaries that are unlikely to work at or above SGA. [It should be noted that due to limited federal/state funding for vocational rehabilitation, many individuals eligible for VR services do not in fact receive services and instead are placed on a waiting list. Presumptive eligibility therefore does not provide a guarantee that an individual will receive services in a timely manner or receive any services at all.]

If an SSI/SSDI beneficiary assigns his or her Ticket to an EN and the EN refers the individual to VR for vocational rehabilitation services, the EN and VR agency must develop an agreement determining responsibility for costs and allocation of payment. Under this scenario, VR is no longer able to submit for cost reimbursement. If VR has spent substantial amounts of money (as is likely with the AOI target groups), its ability to recoup those funds is severely limited because, at best they can only share outcome payments with the EN holding the Ticket.

From the SSA Perspective:

The primary purpose of the Ticket Program is to save money for the SSI program and SSDI Trust Fund. To date, the low participant rate for the Ticket Program indicates that the savings will be negligible.

With respect to Ticket assignments to VR, the overwhelming majority (over 90%) of payments have been identified as cost reimbursement. Unlike outcome payments, the employment benchmark for cost reimbursement does not necessarily result in cost savings for the SSA. For example, if an SSDI beneficiary uses their Trial Work Period to work above SGA then reduces their income to below SGA after the Extended Period of Eligibility, the SSA will experience zero cost savings. For SSI recipients, nine months of employment above SGA is expected to result in some cost savings to the SSA through partial or complete reduction of benefits. However, there is no way to ensure those savings continue beyond nine months.

PREMISE OF THE PARTNERSHIP-PLUS OPTION

Based on research regarding the employment of persons with severe impairments, it is possible that significant numbers of SSI/SSDI beneficiaries with the most severe impairments can achieve the earnings levels necessary to achieve economic self-sufficiency if they receive necessary time-limited services and supports as well as ongoing services and supports. The Partnership Plus option reflects promising practices in the field that result in employment outcomes that will enhance the employment of persons with disabilities, result in better cooperation and working relationships between VR agencies and ENs, and result in cost savings for the SSA.

Description of the Partnership Plus Option

Under the Partnership Plus option, an eligible Ticket holder could receive vocational rehabilitation services from the VR agency (including supported employment and other time-limited employment-related services and supports) and then receive ongoing services and supports from an EN. The VR agency would receive payment from the SSA under the cost reimbursement payment system i.e., when an individual is earning at or above SGA for nine consecutive months during a 12-month period. Prior to or after VR reimbursement billing is submitted to the SSA, ENs could accept a Partnership Plus Ticket and provide necessary ongoing services and supports. Under the Partnership Plus option, the value of the Ticket would not exceed the value of the outcome payments available under the outcome-milestone payment system. Thus, under the Partnership Plus Option, the EN would not be entitled to milestone payments. The cost reimbursement payments to VR would be in lieu of the milestones.

It is important to note that this option could be implemented within the existing Ticket payment structure or within the payment structure proposed by the AOI Group in this report. As such, this recommendation does not depend on the acceptance of Ticket payment structure changes proposed in the AOI payment system recommendations stated above. Implementation of Partnership Plus could occur under both payment structures.

More specifically, this proposal includes the following essential elements:

Recipient Eligibility: The recommendation is that all Ticket holders would be eligible for the Partnership Plus option. If the SSA determines for legal, cost or administrative reasons that the eligibility for this option should be restricted to some, but not all of the current Ticket holders, it is recommended that the SSA develop a process for "screening out" beneficiaries who would not be eligible for the Partnership Plus option. In the alternative, the SSA might consider a nationwide demonstration project limiting the Partnership Plus option to Ticket holders who require ongoing services and supports to attain the earnings levels required under the Ticket Program. A Ticket holder could be considered to require such ongoing services and supports if his or her case is designated "medical improvement not expected" by the SSA and/or the Ticket holder is eligible for supported employment services under the Rehabilitation Act. Both criteria are objective proxies for persons requiring ongoing services and supports to maintain or increase earnings. Both criteria are necessary for a number of reasons, including the reality that many persons with severe mental illness do not fall under the first category. The SSA could also develop an administrative mechanism for allowing case-by-case determinations of need for ongoing services and supports for individuals who do not satisfy the objective standards.

Official Holder of the Ticket: The SSI/SSDI beneficiary can assign his or her Partnership Plus Ticket to the EN at any time (e.g., the assignment may occur during the period VR is providing supported employment).

Relationship Between Partnership Plus and Other Options: The Partnership Plus option creates an additional option for Ticket holders requiring ongoing services and supports to maintain or increase earnings above SGA after VR has assisted a beneficiary to earn at or above SGA for nine consecutive months. The Partnership Plus option does not supplant existing options available under the Ticket Program. For example, once a beneficiary selects a VR agency, the agency still would have the option to select cost reimbursement only or milestone/outcome payments, on a case-by-case basis, as they do under the current regulations.

Fair Partnership Between VR/ENs: After the SSI/SSDI beneficiary agrees to assign the Partnership Plus Ticket to an EN, VR cannot require sharing of outcome payments.

Reimbursement for Upfront VR Costs: Under Title I of the Rehabilitation Act, the VR agency provides the vocational rehabilitation services, including supported employment and other time-limited employment-related services and supports, either directly or through contract with the EN. Under cost reimbursement, if the SSI/SSDI beneficiary achieves nine months of employment above SGA, VR is able to submit to the SSA for the full cost reimbursement of services provided. Under the Partnership Plus option, VR can only bill for cost reimbursement. As explained above, VR cannot require the EN share subsequent outcome payments under the outcome-milestone payment system.

Payment for Long Term Outcomes: The EN provides employment services and supports after the point VR time limited services end. As noted, the EN may be the provider of these services under contract with VR. If the SSI/SSDI beneficiary maintains employment at a sufficient level to initiate outcome payments, the EN is then eligible to charge the SSA for outcome payments under the outcome-milestone payment system. As noted, the EN cannot charge for milestone payments under this option. As with the current structure of the Ticket Program, the EN is eligible to charge the SSA for up to five years of (non-consecutive) employment at specified earnings levels.

SCENARIOS ILLUSTRATING HOW THE PARTNERSHIP- PLUS OPTION MIGHT WORK

Scenario 1: A young SSI beneficiary with a mental illness transitioning out of high school contacts the VR agency. The beneficiary, his family, and the VR counselor all agree that he would benefit from supported employment. Unfortunately, the State Mental Health agency indicates there is no long term funding available to pay for extended services (ongoing services and supports) and therefore the VR counselor may not authorize funding for supported employment under the Rehabilitation Act for the individual. Under the Partnership Plus option, an EN could agree to provide the extended services (ongoing services and supports) after VR provides supported employment. The VR agency would be paid if the beneficiary earns at or above SGA for nine consecutive months in a twelve-month period and the EN would be paid after this period if the beneficiary achieves specified earnings levels under the outcome-milestone payment system.

Scenario 2: An individual with cerebral palsy takes his Ticket to an EN. The EN conducts an assessment and determines that the individual will require extensive vocational rehabilitation services, including assistive technology devices and services. The EN is unwilling to incur the upfront costs. The EN contacts the VR agency. After conducting an assessment, the VR agency determines that the individual is eligible for vocational rehabilitation services. The VR agency contracts with the EN who is also a Community Rehabilitation Provider (CRP) to provide the vocational rehabilitation services specified in the person's Individualized Plan for Employment (IPE). The CRP finds a suitable placement for the individual. The VR agency receives cost reimbursement after the individual works nine consecutive months at or above SGA over a twelve-month period. The EN accepts the Ticket Plus and provides ongoing services and supports and gets paid under the outcome-milestone payment system to the extent the individual achieves specified earnings.

Scenario 3: An individual who is profoundly mentally retarded takes her Ticket to an EN, which refuses to accept the Ticket because of upfront costs. The beneficiary is referred to VR. VR conducts an assessment and concludes that the individual is eligible for VR services. The IPE provides for services that will assist the individual establish a micro-enterprise. After nine consecutive months earning at or above SGA during a twelve-month period, the VR agency is reimbursed by the SSA. The beneficiary's family is certified as an EN. The EN receives payment from the SSA under the outcome-milestone payment system to the extent the individual achieves specified earnings.

ADVANTAGES OF THE PARTNERSHIP-PUS OPTION

From the Recipient's Perspective:

An EN is much more likely to accept a SSDI/SSI beneficiary's Ticket if it knows that the individual will receive vocational rehabilitation services from VR.

If more ENs participate in the program, SSI/SSDI beneficiaries will have more potential choices.

An SSI/SSDI beneficiary who has high cost/complex support needs, is more likely to get what he or she needs (better employment outcome) if he/she can access both vocational rehabilitation services from VR and ongoing services and supports from an EN.

Waiting lists at VR agencies may be shortened due to increased program income from cost reimbursements from the SSA, resulting in more and quicker services.

From the EN Perspective:

VR bears the risk of the upfront costs. The EN would not bear the risk of training and placement costs that may never result in an outcome payment.

The payment relationship between VR and the EN is prescribed—unlike the current situation under which the relationship is negotiated.

This option is complementary (in many cases) to the ENs existing relationship with VR.

The current sense of competition between VR and ENs is reduced, replacing it with a system that rewards cooperation.

From the VR Perspective:

VR's ability to access cost reimbursement will not be undermined if the SSI/SSDI beneficiary is working with an EN.

VR is more likely to get cost reimbursement if an EN is providing the beneficiary support after the VR 90-day closure.

This is a long-term support option for VR consumers not eligible for long term supported employment funding through the MR/DD or Mental Health (MH) systems.

Increased program income generated from additional cost reimbursement from the SSA may help VR agencies serve more people or try new and creative approaches to service delivery they might not otherwise be able to afford.

From the SSA Perspective:

This proposal would increase the likelihood that the VR cost reimbursement option will lead to a substantial reduction of cash benefits paid. Under the current regulations, the SSA reimburses VR for costs if that individual works for nine consecutive months above SGA. However, if the consumer ceases working shortly after the nine-month period, the SSA would recoup only limited savings in cash benefits paid. Under this proposal the partnering EN has a financial incentive to ensure the SSDI/SSI beneficiary continues working beyond the nine-month period; therefore, increasing the likelihood that the SSA will recoup savings in cash benefits paid.

This proposal is likely to increase EN participation in the Ticket Program.

This option helps resolve concerns regarding coercive agreements between VR and ENs. The payment relationship is prescribed.

CAUTIONARY NOTES

As with any attempt to modify existing public policy that impacts multiple stakeholders, there are some risks, restraining forces or fears that impede the adoption/implementation of the program. Set out below are some potential issues raised by the proposal, followed by a strategy or observation that might mitigate the potential negative impact.

1. This program could cost the SSA or the general fund more money than the current approach.

- The current focus of the Ticket Program on outcomes is preserved. Payment to VR and EN's occurs only when the individual reaches a specified outcome i.e., earnings above SGA for nine consecutive months (for VR) and earnings resulting in reductions or elimination of dependence on cash assistance, including exiting the roles. Under the traditional cost reimbursement method that most VR agencies are using, there is NO assurance that individual's will work for sufficient time to actually save the SSA money. There is no requirement that VR provide ongoing services and supports that may be necessary to improve the employed recipient's chances of maintaining his or her employment. Long-term employment better serves the interests of the SSA and recipients. There is a need for additional data documenting long-term cost savings.
- The chances that the SSA will realize a long-term savings should be significantly increased because this program encourages and FUNDS both the provision of necessary time-limited services needed to secure employment and earnings as well as long term follow up, replacement and career development.
- The current approach is not working. The greatest risk to the Trust Fund is the status quo.
- If the Partnership Plus option turns out not to be cost effective, the SSA can modify or terminate the option at any point in the future.

2. State VR may be exposed to greater financial risk or experience "a run on the bank."

- VR, on an individual case basis, still controls its level of financial participation in an individual's plan. The current regulations and guidelines that VR and RSA use in determining whom they will serve and which services are appropriate are still in place and are not affected by this option.
- An intended long-term impact of this program is to increase the number of people served and the percentage of successful closures. Both outcomes in combination should serve to increase the total amount of funding that VR receives from the SSA by a significant amount.

3. Is this a provider-driven approach with the persons being served standing on the sidelines?

- The Partnership Plus option in essence simply makes sure that VR and ENs have a more systematic way to be compensated for providing services and obtaining the outcome that the individual determines he or she wants through the SSDI/SSI beneficiary's individual employment plan. The plan belongs to the individual not the providers. The plan under the Ticket to Work Program is primarily a contract the beneficiary uses to express expectations for the providers of service and then hold them accountable. Under the Ticket Program, the plan is developed and controlled by the beneficiary; not something that is developed by professionals and then imposed on the beneficiary.
- The beneficiary still decides who will provide services, what services will be provided, and what a successful outcome will be.
- The Partnership Plus option is intended to increase choices for beneficiaries and their access to financial resources and services that meet their unique needs. This option can potentially bring many, if not most of the existing community rehabilitation providers into the Ticket EN system. There are reportedly 5,000-10,000 community rehabilitation providers actively providing services around the country.
- The intended effect of rewarding cooperation between VR agencies and ENs should result in a much more positive climate within which beneficiaries are pursuing services.

RECOMMENDATION 4: DOCUMENTATION OF EARNINGS FOR PURPOSES OF EN PAYMENTS

Transfer earning documentation responsibility for purposes of EN payments from ENs to SSA.

One of the major disincentives for ENs to participate in the Ticket Program is the requirement to document earnings of a Ticket holder in order to receive payment. The current approach also creates serious privacy problems from the Ticket holder's perspective e.g., providing wage stubs to the EN.

It is recommended that the regulations be revised to transfer the onus for documenting earnings from the EN to the SSA Commissioner.²⁸

RECOMMENDATION 5: OVERPAYMENTS TO BENEFICIARIES

Reduce the disincentives of overpayments by using gross wages and unemployment insurance records to trigger payments and by not penalizing an EN if SSA determines there was an overpayment.

The SSA must recognize that in addition to creating a disincentive for beneficiaries, overpayments present a particular problem for ENs under the Ticket Program. Under the current regulatory framework, ENs that return beneficiaries to work will not be paid if the beneficiaries are still receiving cash benefit payments from the SSA, even if these payments are being made in

²⁸ A similar recommendation was made in the Ticket Panel's *Annual Report #2*.

error. This could prove to be a significant long-term disincentive for ENs to participate in the Ticket Program.

Existing problems in this area center on:

- Errors in figuring net wages after the use of work incentives;
- Lack of systematic approach for readjusting income records used by the SSA for SSI purposes; and
- Provision by Internal Revenue Service (IRS) to the SSA of earnings records only on an annual basis.

Most errors would be eliminated by use of gross wages, not net wages and the use of Unemployment Insurance records to trigger payments.²⁹ The combination of these two measures would eliminate most of the overpayment, delayed payments, or under payment problems.

Further, it is recommended that an EN not be penalized if the SSA determines, after making a payment to the EN, that the payment was inappropriate because an individual received an overpayment. The SSA should also consider adopting policies that address the penalty to beneficiaries when they fail to receive timely notice of overpayments. More specifically, ENs would be held totally harmless in the case of an overpayment to a beneficiary using a Ticket. Further, in the absence of fraud, the SSA would be stopped from collecting overpayments made to beneficiaries after six months from the date the beneficiary reported earnings to the SSA via electronic, certified regular mail, other means of communication or by directly contacting (face-to-face) an SSA field office employee.

RECOMMENDATION 6: CASE –BY-CASE DETERMINATION OF PAYMENT SYSTEM USED BY ENs

Allow ENs to make a case-by-case determination of whether to use the outcome-milestone payment system or payment system or outcome payment system for an individual beneficiary.

It is recommended that the regulations be amended to allow an EN to make a case-by-case determination regarding whether to use the outcome-milestone payment system or the outcome payment system. This determination may be made at the time of placement. This flexibility will provide additional incentive for an EN to participate in the program based on the unique needs of each Ticket holder. The Advisory Group recognizes that this recommendation may require a legislative change.

RECOMMENDATION 7: BLENDING OF RESOURCES AND BRAIDING OF FUNDS

Create a more integrated, comprehensive, implementation strategy for the Ticket Program by considering how complementary services and supports may be funded across federal and state programs and implemented at the local level.

²⁹ See footnote 9.

For many persons with the most significant disabilities, existing funding sources may be used to support employment-related services and supports, including Medicaid, e.g., Home and Community Based Services and Supports (HCBS) waivers and supported employment. It is recommended that joint policy directives be issued by federal agencies, such as the SSA, Department of Health and Human Services (HHS), including the Center for Medicare & Medicaid Services (CMS) and the Substance Abuse and Mental Health Services Administration (SAMHSA), the Department of Labor (DOL) via Individual Training Accounts under the Workforce Investment Act, Department of Housing and Urban Development (HUD), and Department of Education (ED), clarifying the fact that appropriate blending of multiple funding sources to support an individual Ticket holder is not only permissible but encouraged.³⁰

Described in more detail in this recommendation are the importance of blending multiple funding sources (including the introduction of a new concept we call “braiding of funds”); the need for joint policy directives and a process for identifying possible topics for inclusion in the joint policy directives; possible demonstration projects that may support new and innovative strategies for using multiple funding sources, and illustrations of the types of capacity building activities relating to the blending of resources that would strengthen the EN system. It should be noted that in this report the reference to “blending” typically addresses the integration and combining of resources such as personnel, products or planning while “braiding” refers to coordinating budgetary and other resources in order to achieve a common outcome, keeping clear lines of accountability in the respective agencies. The blending of resources and the braiding of funds are ways that agencies can combine efforts yet not lose financial control.

Importance of Making Resources Available to ENs from Multiple Sources

The multiplicity of needs faced by many SSI and SSDI beneficiaries who want to work and increase their earnings is well-documented by Congress as well as in reports and papers prepared by the SSA, The Ticket to Work and Work Incentives Advisory Panel, Government Accountability Office (GAO), and the Bush Administration through the New Freedom Initiative and Executive Order 13217. The need for a comprehensive and coordinated response for addressing these needs by federal, state, and local agencies and other entities, including ENs, is also well documented.

The findings set out in a recent report to President Bush, (Executive Order 13217 “Delivering on the Promise: Preliminary Report of Federal Agencies’ Actions to Eliminate Barriers and Promote Community Integration” [2001]), pertaining to the general topic of providing community-based services and supports to individuals with disabilities are particularly relevant to the provision of employment-related services and supports that facilitate opportunities for integrated, competitive employment for Ticket holders. The Report explains that to meet the needs of individuals with disabilities and to efficiently utilize federal resources, the various agencies that devise disability policy and provide, fund, and support community-based services and supports must communicate and collaborate on policy and program objectives. Unfortunately, this Report indicates that these agencies historically operated independently, with little or no coordination of their policy and program development activities. As a result, many individuals with disabilities struggled with multiple federal programs containing inconsistent and often conflicting policies and program requirements.

³⁰ See Ticket Panel's *Annual Report #3*.

This Report also describes how State and local governments and community organizations attempting to create coordinated systems of community-based services and supports for individuals with disabilities have also faced barriers due to lack of adequate coordination and collaboration across agencies and programs. For these reasons, the lack of a comprehensive and coordinated federal policy on community-based services and supports was identified through the agency self-evaluation and public input process as one of the most significant barriers to community living for individuals with disabilities.

The need to develop a more comprehensive and coordinated federal policy on integrated, competitive employment has been identified by various federal agencies, including the SSA, CMS, DOL, and ED as well as the Ticket to Work Advisory Panel and GAO. One aspect of this cross-agency effort should include initiatives to improve the implementation of the Ticket Program. The Ticket Program does not operate in isolation of other federal, state, and local initiatives and should not be viewed in isolation from other programs and policies. It is important to recognize that the degree of success of the Ticket Program may depend on other factors such as the presence of a Medicaid Buy-In program as part of a comprehensive, person-centered state employment initiative.

The AOI Advisory Group believes that the issue of creating a more integrated, and hopefully comprehensive strategy regarding the implementation of the Ticket Program should include a consideration of how services and supports may be funded across federal and state programs and implemented at the local level. The AOI Advisory Group believes that Congress did not intend to have ENs rely solely on resources available through the Ticket Program to cover the full range of services and supports needed by Ticket holders, particularly individuals with disabilities in the targeted groups. Further, the AOI Advisory Group believes that the Ticket Program is premised on the continued availability of funding from other sources such as Title I of the Rehabilitation Act (Vocational Rehabilitation Services) that are typically time limited and those available through state Departments of Mental Retardation or Mental Health which are typically of longer duration. The MR and MH monies are generally closely linked to the Centers for Medicare & Medicaid Services through individual federal and state reimbursement strategies. The AOI Advisory Group believes that the need for a wider base of funding and support for Ticket holders in the future is apparent.

Addressing the needs of particular Ticket holders that depend on multiple funding sources has created challenges to the SSA and other agencies at the federal level and challenges to ENs at the local level. In some instances policies embedded in particular federal laws may be inconsistent, making blending of resources as well as braiding of funding difficult, if not impossible. In other cases, the reluctance on the part of federal agencies as well as state and local agencies to allow service providers to blend resources may be based on perceptions stemming from ambiguous policies, thereby providing “excuses” for agencies to prohibit blending or braiding of funding or provide administrative barriers creating undue administrative burdens.

In light of these realities, the AOI Advisory Group looked at options for integration of funds. To avoid any unintended resistance to such an effort, it may be helpful to modify this terminology by replacing the phrase “blending” of funds (which might be construed by some as requiring co-mingling and the transfer of authority) with the new phrase--“braiding” of funds where funds are used to reach a common goal but the actual control of the funds remains with the

separate agencies. In the instance of bringing resources together to address a single purpose, many states and local networks have blended resources to address individual consumer needs.

The adoption of joint policy directives regarding the blending of resources and the braiding of funds may be a sound, pragmatic, intermediate step in the development of a seamless system of services and supports for Ticket holders.

In sum, the AOI Advisory Group believes that the EN system will need to have more than Ticket resources if it is to achieve the goals of the Ticket Program to reduce dependency on the SSI and SSDI programs. ENs must be able to leverage other funds to support Ticket holders, particularly individuals with disabilities in the targeted groups. To this end, the recommendations that follow reflect the concept of “braiding” of funds requiring collaboration among agencies but do not require structural changes in budget allocation formulas or fiscal transfers across agencies.

Recommendation 7.1: Policy Clarifications and Demonstrations

The AOI Advisory Group is aware of ongoing informal dialogue and specific initiatives among various federal agencies regarding employment related initiatives for individuals with disabilities, including individuals with disabilities in the targeted groups. For example, the SSA is commended for its collaboration with DOL to place navigators in One-Stop career centers. With specific regard to the Ticket Program, federal agencies need to send clear signals regarding the extent to which existing policies governing federal programs permit the braiding of funding and the blending of resources to support the goals and objectives of the Ticket Program. Key federal programs include, but are not limited to Medicaid, Vocational Rehabilitation Services, Title I of the Workforce Investment Act, Individuals with Disabilities Education Act (IDEA), SAMSHA, Social Services Block Grants, housing, and transportation. This recommendation will require the SSA, working in consort with other agencies, such as CMS, RSA, Employment and Training Administration (ETA), and Office of Disability Employment Policy (ODEP), to issue joint policy directives clarifying issues and topic areas identified by ENs and other stakeholders. The SSA should work with representatives of the key federal agencies as well as representatives from groups of ENs (community rehabilitation provider system and the entrepreneurial system of individuals, new programs and employers) and other stakeholders to identify and prioritize issues and topics and discuss possible approaches.

In addition, the SSA, in conjunction with other federal agencies, should consider funding demonstration projects designed to validate best and promising practices for braiding of funds as well as demonstration projects that test the use of incentives (bonuses and enhanced reimbursement rates) that may facilitate greater participation in the Ticket Program by ENs. Demonstration projects should include traditional ENs (including Vocational Rehabilitation Services and vendors), ENs that are comprised of a network of service providers, and nontraditional ENs such as employers, local educational agencies, community colleges and other institutions of higher education, One-Stop career centers, MR/DD agencies, and mental health agencies.

Recommendation 7.2: Interagency Policy Solutions Group and Capacity Building

Consistent with the intent of facilitating employment opportunities through the use of the Ticket, the AOI Advisory Group believes that a two fold effort will be necessary: (1) develop a mechanism to deal with policy and administrative barriers through the aggressive identification of solutions to those barriers at the federal and subsequently state levels and (2) develop the local capacity of the EN system to support innovation and, in a timely fashion, expand promising practices at regional, state, and local levels.

The AOI Advisory Group recommends that formal mechanisms for bringing together the various federal agencies (whose programs directly and indirectly affect the success or failure of the Ticket Program) be established, expanded, and/or improved. The SSA, working with other federal agencies, needs to enhance the capacity and commitment to, among other things, rapidly respond to requests for policy clarification. In addition, a formal cross agency working group or other mechanism should be in place to make recommendations for regulatory and legislative changes to the SSA and other responsible agencies, where deemed necessary and appropriate to facilitate the braiding of funding.

The AOI Advisory Group believes that if these efforts at blending resources and braiding funds are to be effective, then there has to be a clear emphasis at the federal level which addresses collaboration and coordination across agencies. The success of the Presidential Task Force on Employment may serve as a potential guide for developing a way to continue the Administration's efforts in implementing elements of the New Freedom Initiative around employment of individuals with disabilities.

The development of an Interagency Policy Solutions Group initiated by the SSA could serve as a mechanism for identifying policy barriers to employment, and more importantly, offer concrete resolutions to those barriers at the federal level. A group of this nature should involve key federal agencies responsible for employment of individuals with disabilities, such as the SSA, DOL, RSA, National Institute on Disability and Rehabilitation Research (NIDRR), CMS, National Institute on Mental Health (NIMH), SAMHSA, etc., as well as those responsible for services supporting employment, such as HUD, Department of Transportation, etc., and those organizations interested in employment policy, such as National Council on Disability (NCD), President's Committee for People with Intellectual Disabilities (PCPID), etc. The mandate of this group would be to serve as a clearinghouse for the identification of policy solutions to the barriers that are uncovered at the federal, state and local levels with the full implementation of the Ticket. The group would focus on solutions and serve as a technical resource to other federal and state agencies in identifying ways to resolve barriers. The tools available would include:

- Development of new regulations;
- Clarification of current regulations;
- Clarification of conflicting interpretations of regulations;
- Recommendations for new policies or regulatory language for the SSA and other agencies; and
- Recommendations for changes in practices at the federal level that will enhance the implementation of the Ticket at the state and local levels.

The success of such a group would be determined by its ability to be timely and effective in responding to issues raised from the state and local programs involved in the roll out of the Ticket.

RECOMMENDATION 8: ELIGIBILITY FOR A TICKET (WHO CAN USE A “TICKET”)

Expand eligibility for a using a Ticket include beneficiaries whose conditions are expected to improve and who have not had at least one “Continuing Disability Review,” childhood SSI beneficiaries who have attained age 18 but who have not had a redetermination under the adult disability standard, and beneficiaries who have not attained age 18.

The categories of persons eligible to use a Ticket should be expanded to include:

- Beneficiaries whose conditions are expected to improve and who have not had at least one “Continuing Disability Review;”
- Childhood SSI beneficiaries who have attained age 18 but who have not had a redetermination under the adult disability standard; and
- Beneficiaries who have not attained age 18.³¹

Of all categories of SSI and SSDI beneficiaries, the above three groups are the most likely to benefit from the Ticket Program because they are the individuals most likely to attain a high degree of economic self-sufficiency or at least partial self-sufficiency. Many SSI beneficiaries between the ages of 16-18 still in high school who are preparing for transition from school to work could benefit from the services available under the Ticket Program. A note of caution—to the extent the SSA decides to offer Tickets to individuals who have not attained age 18, it is important that they not be limited to one Ticket for a lifetime. In addition, the SSA should provide complete information on potential eligibility for and potential loss of DAC benefits status under the SSDI law to beneficiaries who have not attained 18 and to childhood SSI beneficiaries who have attained age 18.

There is little downside to such a proposal (in terms of net cost to the SSI program and the SSDI Trust Fund) because the number of persons in these categories currently leaving the rolls because of sufficient earnings from work is negligible.

RECOMMENDATION 9: SUSPENSION OF CDRs AND DETERMINING WHETHER A PERSON IS “USING ” A TICKET AND “MAKING PROGRESS”

Delegate responsibility for determining whether a person is “using” a ticket and “making progress” to the EN

The current regulatory framework regarding the circumstances under which a CDR will be suspended for a Ticket holder should be replaced. The current policy is overly complex and adopts a "one size fits all" approach for determining whether Ticket holders are making

³¹ The Ticket Advisory Panel made a similar recommendation. *See Ticket Advisory Panel's Report on Proposed Ticket Regulations and Annual Report #2.*

"progress" toward self-supporting employment--the standard for determining whether the CDR should be suspended. This approach is inconsistent with a fundamental principle of national disability policy—make individualized determinations based on facts and circumstances unique to each individual. The current policy creates an undue burden on the EN and serves as a disincentive for persons with disabilities to participate in the program.

It is recommended that the new policy framework delegate the sole discretion to the EN to determine whether a Ticket holder is making "timely progress" consistent with the goals, objectives, and benchmarks set out in the negotiated Individual Work Plan. Market forces (e.g., financial considerations) will provide ample incentive for ENs to remove (i.e., unassign the Ticket) those individuals who are not making timely progress from their programs. Time limits governing whether a Ticket holder is "using" a Ticket would not be affected by this recommendation.³²

RECOMMENDATION 10: DEVELOPMENT OF A NATIONAL NETWORK OF RESEARCH, TRAINING, AND TECHNICAL ASSISTANCE CENTERS

Establish a national network of 10 research, training, and technical assistance centers

The Ticket to Work and Work Incentives Advisory Panel³³ and the EN Network Summit³⁴ identified public education and field training and technical assistance as critical components of an overall effort to fully implement the Ticket to Work Program. Unfortunately, the Panel and the Summit concluded that the current efforts and support by Congress, the SSA, and Maximus (the Program Manager) are insufficient.

It is recommended that the Commissioner, in consultation with the Ticket to Work and Work Incentives Advisory Panel, establish a national research, training, and technical assistance network under the Ticket Program. This Network (including one National Coordinating Center and nine regional centers) will be charged with developing the capacity of the EN system to support the full implementation of the Ticket Program for individuals with disabilities, especially to ensure the adequacy of incentives for individuals with disabilities in the targeted groups.

The Network will be coordinated by a lead center that will work with each of the regional centers. The National Coordinating Center will be charged with setting a comprehensive training and outreach agenda while the Regional Centers will offer ongoing training and technical assistance to state agencies, local agencies, ENs, and individuals with disabilities and groups working with individuals with disabilities.

The scope of responsibilities of these centers should include:

³² The Ticket Advisory Panel made a similar recommendation in *Ticket Advisory Panel's Report on Proposed Ticket Regulations*.

³³ See Ticket Panel's Annual Report #2.

³⁴ See "Proceedings of the Employment Network Summit" Report Prepared for the Ticket to Work and Work Incentives Advisory Panel by Gina Livermore (August 4, 2003).

For ENs:

- Outreach and recruitment of entities to become ENs, including traditional as well as nontraditional providers (such as employers, staffing agencies, One-Stops, public and private schools, MR/DD and mental health agencies, consumer cooperatives, family members, friends).
- Training and technical support to enhance the financial capacity of ENs to serve Ticket holders, including individuals with disabilities in the targeted groups (e.g., workable business models, capitalization, blending of funding sources, marketing strategies).
- Training and technical support to enhance the programmatic capacity of ENs to serve Ticket holders, including individuals with disabilities in the targeted groups (methodologies and best practices).
- Provide local, regional and national information and strategy exchanges for ENs.
- Develop an EN mentor system linking successful ENs with new ENs or those seeking to improve the range of services, especially ENs serving individuals with disabilities in the targeted groups.

For Beneficiaries:

- Public education explaining the benefits of returning to work in general and the Ticket Program in particular (well-informed consumers and family members).
- Training of individuals and organizations working with, representing and advocating for individuals with disabilities, especially individuals with disabilities in the targeted groups.
- Technical support regarding the use of the Ticket for self-employment (e.g., micro-enterprises.)
- Enhanced collaboration with work incentive outreach programs.

Research and Evaluation

- Document effective practices in supporting Ticket users through EN systems, including a focus on supporting Ticket holders who are individuals with disabilities in the targeted groups.
- Evaluate local EN practices and report on outcomes for consumers.
- Develop studies that will document impact of supports and approaches to support for consumers using the Ticket.

- Track the impact of ENs on employment outcomes for Ticket users.
- Develop reports on impact of Ticket upon consumers (qualitative and quantitative approaches used).
- Develop comprehensive Web page addressing effective practices in the EN system.

ADDITIONAL RECOMMENDED FURTHER ACTIONS FOR ENHANCING EARNINGS AND INCOME THROUGH SELF-DETERMINATION FOR AOI TARGETED GROUPS

The following are additional recommended actions for further consideration to address the "adequacy of incentives" in the Ticket Program, especially for individuals in the targeted groups. These include recommendations for enhancing earnings and income for individuals with disabilities especially those in the targeted groups through SSA-administered programs other than the Ticket Program.

Principles and Approaches

A variety of systems change and reform initiatives in the last decade have focused on advancing employment opportunities and moving control of resources to individuals with disabilities and their families and advocates. Despite substantial barriers to employment faced by these individuals, research has demonstrated their ability to work in competitive, integrated settings when they receive adequate services and supports and when the job is matched to their interests and skills.³⁵ Individuals with high support needs can obtain decent jobs with fair wages (above minimum wage) without having to “get ready” in a segregated facility.³⁶ Individualized accommodations and adaptations have provided greater access and independence for many.³⁷

The promising service delivery practices described below all point to self-directed services, including control of funding and choice in how it is spent.

Supported/Customized Employment

The concept of individualized supports at the workplace has been growing in popularity since the inception of supported employment in Federal law in 1986. Individualized job development, job carving or creation, and job coaching, along with personal assistance and individualized accommodations, have clearly demonstrated successful approaches to employment for individuals with significant disabilities.³⁸ “Employment specialists” have developed a special savvy about workplace cultures, norms, and have the ability to serve as a consultant or facilitator in order to build the capacity of each work place to support a diverse workforce.³⁹ More recently the concept of customized employment, with an even stronger focus on individually developed employment options, has evolved and has become a major workplace

³⁵ Mank, 1994; Wehman, Revell, & Kregel, 1998.

³⁶ Butterworth & Fesko, 1998; Murphy & Rogan, 1995; Rogan, Held, & Rinne, 2001.

³⁷ Inge, et al., 1998.

³⁸ Callahan & Garner, 1997; Hagner & DiLeo, 1993.

³⁹ Hagner, Butterworth, & Keith, 1995; Fabian & Luecking, 1991; Rogan, Banks, & Howard Herbein, 2003.

support initiative in the Department of Labor. Supported/customized employment has proven to be the major contributor to successful employment outcomes for individuals with high support needs.⁴⁰

Choice

The Rehabilitation Services Administration Choice Demonstration projects provided numerous examples of how funding could be controlled by people with disabilities to purchase desired services.⁴¹ Individuals hired advisors who assisted them to develop a person-centered plan and a personal budget for desired services, hire (and fire) service providers, and pay for services (or withhold payment if services are not satisfactory). These demonstrations provided individuals with more choice and control in the service delivery process and paved the way for the wide acceptance and understanding of the importance of individual choice in rehabilitative services for all individuals with disabilities.

Self-Determination

More recently created, the national self-determination initiative has promoted the ultimate in personal achievement: self-determination.⁴² The initiative has been based on the principles of:

- Freedom to live a meaningful life in the community;
- Authority over dollars needed for support;
- Support to organize resources in ways that are life enhancing;
- Responsibility for the wise use of public dollars; and
- Confirmation of the important leadership that self-advocates must hold in a newly designed system.⁴³

The reforms necessary to realize these principles call for the use of fiscal intermediaries who provide informed and independent support coordination on behalf of individuals with disabilities. As in the Choice Demonstration projects, public dollars for an individual's supports are made available, individual budgets to purchase desired services are developed and approved based on the individual's life goals, and support is provided consistent with the individual budget.

Entrepreneurship

Entrepreneurship, including small business ownership and other micro-enterprises, has been a very effective employment option for some individuals with disabilities, including individuals with high support needs.⁴⁴ Once again, the process is based on person-centered planning to identify interests, strengths, and goals. Drawing from the supported employment concept, many individuals are able to purchase the supports they need in order to maintain a successful business through blended funding, e.g., Workforce Investment Act, Vocational

⁴⁰ Mank & Revell, 2001.

⁴¹ Stoddard, Hanson, & Temkin, 1999.

⁴² Sands & Wehmeyer, 1996.

⁴³ Nerny, 2000.

⁴⁴ Griffin & Hammis, 2001.

Rehabilitation, and Social Security Work Incentives – Plans for Achieving Self Support (PASS), and/or through business profits. Although start-up costs vary tremendously, estimates range from \$5,000 - \$30,000, according to the Small Business Association. The President’s Blue Ribbon Panel on Self-employment reports that over 30% of individuals involved in Choice grants in the past eight years chose self-employment.

In sum, service delivery practices (supported and customized employment, choice based services, self determination projects and entrepreneurship) have demonstrated successful employment outcomes for the four targeted population groups. The AOI Advisory Group strongly encourages the SSA to include these proven approaches in all national demonstration initiatives created to address the barriers to employment faced by individuals in the targeted groups.

The Challenge

While individuals in the targeted groups have become employed and demonstrated their ability to take their place in the labor market, quality services and innovations have yet to reach the majority of these individuals.⁴⁵ Medicaid funding for segregated non-work programs was \$488 million in 2002, more than four times the \$108 million in HCBS waiver funding for supported employment.⁴⁶ It can be assumed that the majority of the 124,000 adults with developmental disabilities in sheltered workshops, and the 223,000 individuals in non-work day programs are receiving SSI or SSDI. Typically they are not earning wages, or are earning sub-minimum wages, and they will remain on Social Security throughout their lives.

The Social Security Administration has an opportunity to provide a major incentive to begin to change this situation, in conjunction with revisions to the Ticket to Work Program and in collaboration with Medicaid to shift dollars to integrated, competitive employment services. After two decades of supported employment, it is known that the average cost of assisting someone to get and keep employment (approximately \$6,000), as well as the average cost of starting a business.

RECOMMENDED FURTHER ACTION 1: PAYMENT SYSTEM TO ENs AND UTILIZATION OF THE PASS PROGRAM.

Explore strategies to maximize utilization of the PASS program, especially for those in the AOI targeted groups, and consider how the Ticket and PASS programs can complement each other.

The current EN payment structure operates at cross-purposes with many current work incentives such as PASS. PASS is a Social Security Administration work incentive that allows an individual to set aside income and resources available to him/her to support a plan for self-sufficiency. Income and resources set aside in a PASS do not count against the resource and income limits for an individual who receives SSI (\$2,000 for a single individual and \$3,000 for a couple), and are not considered in prorating the amount of SSI received each month. In order to identify and set aside income and resources, a PASS application must be written and approved.

⁴⁵ Wehman, Revell, & Brooke, 2003.

⁴⁶ Rizzolo, Hemp, Braddock, & Pomeranz-Essley, 2004

Plans are time limited and evaluated by a cadre of PASS Specialists within the SSA to ascertain the feasibility and viability of the Plan.

PASS has been available in the SSI program since 1974 and the legislative history indicates that it should be broadly interpreted to achieve its purpose of providing opportunity and encouragement for beneficiaries to work. Nevertheless, there are only about 1,700 PASS plans currently in effect nationwide.⁴⁷ While currently underutilized, the PASS work incentive has played an important and valued role in supporting the employment outcomes of many individuals who otherwise would never have had the help needed to become employed.

Although it should be made clear that ENs or other organizations that accept Tickets cannot request or receive any compensation from beneficiaries for any items or services connected with a beneficiary's return to work and that any items purchased under a PASS cannot be obtained from the EN to whom the beneficiary has assigned his or her Ticket, the AOI Advisory Group considers PASS to be a valuable tool in encouraging self-sufficiency and that it is complementary to the Ticket Program. It allows the beneficiary to purchase items and or services that would not otherwise be available to him/her while directing their own employment process.⁴⁸

Under a PASS, an individual can set aside income and resources in order to preserve eligibility and access to an SSI cash payment while they are working. By contrast, the outcome payment system under the Ticket Program requires an individual to no longer be earning a cash payment in order for the EN to be paid. A Ticket holder in the targeted group could have a PASS to set aside income and resources to cover the costs of specified job related expenses such as a high cost accommodation. While this potentially could support a positive employment outcome in the future, it would potentially preclude an outcome payment for the EN. This puts ENs that encourage or assist beneficiaries to take advantage of the benefits of the PASS at a financial disadvantage.

The SSA should explore strategies to maximize utilization of the PASS program, especially for those in the AOI targeted groups, and consider how the Ticket and PASS program can complement each other. This should include explaining that beneficiaries may participate simultaneously in both the PASS and the Ticket Program and recommending legislative changes to allow an EN to be paid before the PASS holder goes off the SSI rolls, when the EN could be paid in the absence of a PASS. This recommendation is consistent with Recommendation 1 in this report pertaining to the payment system.

RECOMMENDED FURTHER ACTION 2: EXPANSION OF EN POOL

Develop guidelines clarifying how “nontraditional providers” may qualify as ENs.

⁴⁷ SSA 2004 Annual Report to Congress on the SSI Program.

⁴⁸ Although the PASS Plan must be approved by SSA, the individual decides on their own work goal, what goods, equipment, services, training and education they will purchase, and from whom, in order to reach the work goals. Expenses may include, but are not limited to, transportation to and from work, including the lease, rental or purchase of a vehicle, modifications to a vehicle; tuition, books, fees and supplies needed for school or training; start-up costs to establish a business such as equipment and supplies; child care; attendant care; employment services, such as job coaching and resume writing. See: Working While Disabled. A Guide to Plans for Achieving Self-Support, SSA Publication No. 05-11017, February 2004.

There are far more potential ENs who could and should be available for the beneficiary choice than are currently enrolled in the system. Currently, SSA policy permits micro-boards, family members and other so-called "nontraditional providers" to qualify as ENs. The general and specific criteria set out in the regulations, however, are perceived as difficult and confusing. To address this shortcoming, the AOI Advisory Group recommends that the SSA develop guidelines clarifying how these entities may qualify as ENs. More specifically, the following suggestions for this expansion are made:

- Emphasize the ability of ENs to subcontract with family members who are capable of providing services; and
- Establish general and specific criteria on how such non-traditional individuals or groups could be considered to meet the EN criteria.

In addition, the SSA should consider the feasibility of permitting the beneficiary to be his/her own EN, with outcome only payments; milestone payments should not be allowed in any program designed to support an "individual as an EN model."

RECOMMENDED FURTHER ACTION 3: CREATE AND PILOT INCENTIVES TO PROMOTE COMPLETION OF "ENHANCED INDIVIDUAL WORK PLANS."

Explore a potential legislative change to add a fifth milestone of perhaps \$300 to the EN and a similar payment of \$300 to the beneficiary following the completion of an "Enhanced Individual Work Plan (EIWP)". The EIWP should include a strategy for attaining specific employment goals and the development of an earnings offset profile, which would incorporate an economic "break even" analysis that details the level of earnings needed to offset the loss of all federal and state benefits.

Virtually every type of business that operates successfully recognizes the importance of getting a customer "in the door." Successful businesses spend billions of dollars each year on advertising and introductory offers intended to get customers to make contact or come in to the business so the customer can get to know the features and benefits of the products and services. In service industries, these efforts focus on initiating the development of a personal relationship with the customer. Service industries recognize that a personal relationship with a customer is key to developing the sense of trust that is essential to a customer deciding to do business with a particular company.

Unfortunately, a parallel effort to these highly successful efforts seems to be lacking in the roll out of the Ticket to Work Program, and potential customers (i.e., Ticket holders) are instead dealing with a fear of losing benefits and medical supports, which are apparently still the primary factors preventing active return to work efforts. There is no incentive for beneficiaries to move beyond these fears.

To remedy this shortcoming in the Ticket Program and to provide an incentive to beneficiaries to participate in the program and advance their employment opportunities, the AOI Advisory Group recommends a potential legislative change to add a fifth milestone of perhaps \$300 to the EN and a similar payment of \$300 to the beneficiary following the completion of an "Enhanced Individual Work Plan (EIWP)." (The \$300 figure is included as a reasonable amount that might serve as an incentive. Additional research might be necessary to ascertain whether this

figure is appropriate and what impact the one-time payment would have on the beneficiary's eligibility.)

The plan would include a strategy for attaining specific employment goals and the development of an earnings offset profile, which would incorporate an economic "break even" analysis that details the level of earnings needed to offset the loss of all federal and state benefits. The break-even analysis for a specific individual would determine the wage and benefit levels that would be required for the economic gains from working to exceed the gains from not working. The enhanced EIWP would be available as an option at the discretion of both the EN and the beneficiary. Additional details will need to be developed on the required elements of an Enhanced Individual Work Plan. While the SSA has chosen to provide payment points later in the employment process and for outcomes to encourage providers to provide services to individuals with disabilities over the long-term, the AOI Advisory Group believes additional incentives are needed by ENs and beneficiaries for individuals in the four targeted groups.

If the beneficiary desired, the break-even analysis could be further reviewed by local Benefits Planning, Assistance and Outreach (BPAO) staff or the local SSA Work Incentive Liaison (WIL). The BPAO and WIL staff would insure that the beneficiary was aware of and utilized applicable work incentive provisions and other potential sources of employment supports. Variations could be developed. For example, this type of earning offset analysis could be used to assist as a first step in developing a basic business plan for a micro-enterprise or the pursuit of self-employment.

A recent report released by the Social Security Administration evaluating customer satisfaction with Benefits Planning, Assistance and Outreach services authorized and provided under the Ticket to Work Act clearly identified the value and role that an earnings offset profile, as part of a benefits plan, had on employment outcomes. The survey was conducted during November and December 2002 with 1,764 randomly selected beneficiaries from across the country who had received one or more of the three most intensive benefits planning services offered by BPAO programs. The study showed that while 28% of respondents were working at the time of their initial contact with a BPAO program, an additional 21% began working subsequent to benefits counseling. However, while this initial data is compelling and strongly suggests a direct correlation between receipt of benefits counseling and work, many beneficiaries reported not being clear as to their next steps. Respondents rated their lowest level of agreement with the statement that, "after talking with the benefits specialist, they understood what they were supposed to do or what was supposed to happen next." Those that didn't agree with the statement found the nature of benefits counseling they received leaving them confused and uncertain about the next steps in the employment process. This possibly suggests that had the BPAO been more connected and working closely with ENs in their geographic catchment area as part of the benefits planning process, they potentially could have provided beneficiaries some possible next steps pointing the beneficiaries in the direction of ENs that could assist them further.

As the SSA considers this, it should keep in mind that BPAO programs are already paid to provide the types of services mentioned above. However, the BPAO network is significantly under funded and many projects are currently reporting that they are establishing waiting lists for services. Wait listing a beneficiary with an immediate need for information to support his/her employment aspirations is counterproductive toward the ends of this program. Providing

incentives to BPAO Programs to build relationships with ENs could expand the resources available for this vital service. It will be important to study any potential effects on the independence and objectivity of BPAOs.

Another consideration would be the incentive payment to the beneficiary. This payment would be considered income and potentially negate payment of some benefits depending on the benefit program in which the individual is enrolled. Also, there is currently nothing prohibiting ENs from paying beneficiaries for completion of an EIWP out of their potential Ticket. While this recommendation generates a series of questions concerning blending roles and responsibilities of various service providers, the AOI Advisory Group believes such an approach would achieve a number of benefits. Each of these benefits will directly or indirectly affect the beneficiary, the EN, BPAO programs, and the SSA. Such an approach would:

- Encourage cooperative working relationships between BPAO's, ENs and other related service providers; provide immediate financial incentives for ENs to develop greater knowledge and understanding of SSA work incentive provisions and regulations; and provide opportunities for BPAO staff to develop a better understanding of the job market and an individual's employment plan, thereby improving the quality of their advice.
- Encourage ENs to conduct outreach to beneficiaries because they would be compensated upfront for their work on the Enhanced Employment Plan, if the payment amounts provided an adequate incentive to develop the plan.
- Encourage ENs to interview and consider serving more difficult-to-serve individuals.
- Provide an incentive for beneficiaries to seriously consider employment. Although some may respond just to receive the payment, the planning and education process itself, if done well, might encourage others to seek employment.
- Enhance the availability of person-specific information to facilitate thoughtful and informed decisions on the part of beneficiaries.
- Help ensure that the interests and economic welfare of the beneficiary are protected.
- Provide information for use in advising beneficiaries.
- Provide the beneficiary a benchmark or a standard for plans and services.
- Encourage beneficiaries to pursue assistance from BPAOs and other service providers.
- Encourage all BPAOs that participate to develop a formal written benefits analysis.

If the SSA adopts this recommendation, it will also be necessary to develop methods for marketing the "Enhanced Individual Work Plans" to both beneficiaries and employment networks.

In regard to all of the issues involved in Recommended Action number 3, it is believed that it is necessary to (1) maintain clear roles and responsibilities for all related services providers (ENs, BPAOs, WILs, ACICs, and Navigators), (2) be aware of any potential effect on the independence and objectivity of service providers, and (3) that the most accurate information to beneficiaries as they consider employment opportunities is provided.

The following recommendations are for enhancing earnings and income for individuals in the targeted groups under SSA-administered programs other than the Ticket Program.

RECOMMENDED FURTHER ACTION 4: EXPAND PARTICIPATION IN PLANS FOR ACHIEVING SELF SUPPORT.

Provide outreach to beneficiaries, partner with providers and traditional financial institutions to promote the PASS option and review policies and procedures for unintended barriers to participation in PASS program.

In addition to the recommendation regarding the PASS program and outcome payments under the Ticket Program, the AOI Advisory Group makes the following recommendations for improving the administration of the PASS program for individuals with disabilities in the targeted groups:

- Provide outreach to targeted groups of beneficiaries who could benefit the most from utilizing PASS and participating in the Ticket Program (e.g., individuals who may require high cost accommodations);
- Partner with providers such as VR agencies and private rehabilitation providers, to promote PASS as an option;
- Partner with traditional financial institutions, such as banks, credit unions, etc., to determine how a PASS could be used as collateral or to assist in other ways to obtain financing for low interest loans;
- Explore possible unintended consequences of work incentives that may preclude participation in the PASS programs such as the Student-Earned Income Exclusion; and
- Review PASS policies and procedures on participation in the PASS program and ensure there are no barriers in the application process and no delays in the approval wait time that would result in the loss of job, business or educational opportunities.

RECOMMENDED FURTHER ACTION 5: PASS-PLUS – USING AN ENHANCED PASS AS A VEHICLE FOR UPFRONT FUNDING.

Fund demonstration projects that test alternative funding strategies to maximize work and earnings capacity such as providing cash grants, in lieu of the Ticket, which they could use to purchase the work related services identified in the PASS Plan.

There are many individuals in the targeted groups who will require additional funding and/or skills in order to use their Ticket. There are also individuals in the four groups who may never be able to use their Ticket due to the restrictive nature of the Ticket payment systems but who can work at earnings levels less than the amount needed to eliminate eligibility for SSA disability cash payments. In other words, many individuals will work at salary levels at which they will continue to remain eligible for partial SSI benefits or at salary levels below substantial gainful activity. Further, there may be beneficiaries who have an interest in directing their own vocational rehabilitation but lack the resources to do so. For these individuals, the AOI Advisory Group recommends that the SSA fund demonstration projects that test alternative funding strategies to maximize work and earnings capacity. While the SSA may not currently have the capability to conduct these activities, the SSA is encouraged to study these issues and, if necessary, to review potential legislative changes.

Using the current PASS design, demonstration projects could provide cash grants to identified members of the targeted groups—those who need additional help in order to utilize their Ticket or those who are identified as individuals who will not be able to completely leave the SSA disability rolls but who will be able to reduce their dependency through work. The projects should demonstrate strategies for using the PASS program to determine and document an individual’s need for a cash grant. The PASS would document the amount of cash needed, design the individual’s work plan, including strategies for implementing the plan.

Individuals included in these demonstration projects would be provided, in lieu of the Ticket, credit for a cash grant equaling the total value of their Ticket which they could use to purchase the work related services identified in the PASS Plan. In other words, the SSA would front load the approved PASS with resources that would have been later allocated under the Ticket Program. Individuals for whom a cash grant would lead to employment would enter into a contractual arrangement with an EN to purchase the services with the cash grant and to arrange for outcome payments based on the balance, if any, left in the total amount of the individual’s Ticket.

Under this proposed system, service providers (including but not limited to ENs) would be paid based on the beneficiary achieving defined levels of earned income. In any case, no more than the total value of the Ticket would be available for cash grants. Participation in this demonstration and receiving cash grants in order to become employed would not preclude an individual from having access to a Ticket at a future date.

RECOMMENDED FURTHER ACTION 6: ALLOW INDIVIDUALS PARTICIPATING IN PASS PLUS PLANS TO PAY ENs.

Legislative changes will be necessary to allow funds (that would result from the above PASS recommendations) to be used to pay service providers, including ENs, for their services. Since the beneficiary is the one who will control the expanded PASS Plus funds and the funds set aside in the employment savings accounts, he/she must be able to use these resources to pay the service provider, even if the provider is an EN.

RECOMMENDED FURTHER ACTION 7: EMPLOYMENT SAVINGS ACCOUNTS.

Establish individual, employment specific savings accounts, similar to current IDAs, to purchase employment related services.

The AOI Advisory Group views great potential in allowing beneficiaries who work and meet the financial eligibility criteria to establish individual, employment specific savings accounts, similar to current IDAs, and recommends such accounts be established to purchase employment related services.⁴⁹ Such an account should only be used for employment related purposes. This program should include the following provisions:

- The SSA should examine IDA and IDA-like accounts that have emerged in a number of states to help individuals save for one or more purposes. This resource should be

⁴⁹ Note: Recent Legislation, the Social Security Protection Act of 2004 (P.L. 108-23) excludes interest and dividend income earned on countable resources (SSA 2004 Annual Report on the SSI Program).

excluded in the consideration of eligibility for SSI or SSDI in the same manner that AFIA and TANF funds are now excluded. The PASS should be the vehicle for excluding the resources.

- Encourage families to use this program to invest in a savings program for their child's employment future, with their contribution matched with incentive dollars from the SSA. This money would be individual/family controlled within an individual budget to purchase employment-related services.
- Allow a limited amount of earned and unearned income (including the SSI check) to be saved in an employment savings account without affecting benefits.

FURTHER RECOMMENDED ACTION 8: COMPREHENSIVE REVIEW OF SSDI AND SSI.

Appoint and charge a knowledgeable group of stakeholders with the task of conducting a comprehensive review of the SSDI and SSI work incentives, such as the trial work period (TWP), extended period of eligibility (EPE), expedited reinstatement (EXR), and impairment related work expenses (IRWE), to ensure these provisions are workable and understandable for beneficiaries.

The AOI Advisory Group recognizes that the Ticket Program should not be viewed in isolation from other programs and policies. It is important to recognize that the degree of success of the Ticket Program may depend on other factors, including work incentives/disincentives in the SSI and SSDI programs. The AOI Advisory Group recommends that the SSA appoint and charge a knowledgeable group of stakeholders with the task of conducting a comprehensive review of the SSDI and SSI work incentives, such as the trial work period (TWP), extended period of eligibility (EPE), expedited reinstatement (EXR), and impairment related work expenses (IRWE), to ensure these provisions are workable and understandable for beneficiaries who want to participate in the Ticket Program, including the AOI targeted groups.

Many beneficiaries believe the so-called work incentives are too complicated to trust and feel that going to work would be too risky to their disability status. The subcommittee notes with concern:

- *Trial Work Period (TWP)*: A 9 month (not necessarily consecutive) period within a rolling 60 month timeframe during which a SSDI beneficiary can work and receive benefits regardless of earnings is often perceived to be a generous incentive to test ability to work. However, it is generally allowed only once during a lifetime. Therefore, the TWP may have been exhausted several years before the Ticket Program was enacted and when the monthly amount was only \$200 or less.
- *Extended Period of Eligibility*: A 36-consecutive month period is provided during which benefits are paid for any month of less than SGA earnings without regard to why the beneficiary is no longer earning SGA (\$810 per month in 2004). No medical review is required. However, the beneficiary must apply for the EPE within the allotted timeframes and with monthly benefit adjustments, overpayments are likely to occur.
- *Expedited Reinstatement*: Provides former SSDI and SSI beneficiaries the option of filing for reinstatement and a quick return to the rolls (rather than filing a new application) if SGA earnings have stopped. However, the rules can be confusing and problematic for

beneficiaries because the SSA must conduct a review to make sure the disability continues and the reason the individual can no longer work must be due to the disability rather than say a company downsizing or closing.

- *Impairment Related Work Expenses:* A provision that partially excludes from earnings the cost of items and services needed to work because of the person's disability and are paid for by the individual. Work-related expenses (i.e., prescription drugs, a personal attendant or job coach, a wheelchair or any specialized work equipment) reduce SSI countable income. This is an important work incentive for the AOI targeted groups. It is unclear why utilization is so low. Only about 7,600 beneficiaries used IRWE in 2003.⁵⁰
- *Income/Resource Exclusions:* Applies to earned and unearned income in determining both eligibility for, and the amount of SSI monthly benefits. As a means-tested program, SSI takes account of **all** income and resources that an individual has or can obtain unless specifically excluded by law. The most common exclusion relates to income (wages, net earnings from self-employment). Below are exclusions and dollar amounts that have been in effect since the SSI program began and have not been adjusted for inflation:
 - *General Income Exclusion:* Intended to ensure that SSI beneficiaries who previously worked and have income from Social Security benefits have a higher monthly benefit than those who had not. The original \$20 is now worth less than \$5.
 - *Earned Income Exclusion:* Intended to reward work and self-support. The original \$65 is now worth less than \$20.
 - *Resource Limits:* Intended to restrict the amount of resources (cash, bank accounts, property) beneficiaries may own and still be eligible for SSI benefits. The original \$2,000/\$3,000 for individuals/couples are now worth less than \$400/\$600.
 - *Resource Exclusions:* Intended to allow beneficiaries to maintain or strengthen their ability for self-support. The excluded resources (generally a car, home, and certain insurance funds) are not counted toward the dollar limit.

The above list only addresses SSA work incentives. Individuals with disabilities wishing to become employed have many other federal and state agency work requirements and incentives, all of which must be considered by the appointed advisory group. The myriad of special rules and exclusions, each with its own unique criteria, strict technical requirements, and differing dollar amounts and timeframes, are extremely challenging to explain to Ticket holders and for them to accept.

FURTHER RECOMMENDED ACTION 9: EXPANSION OF THE BPAO PROGRAM.

Expand the number of Benefits Specialists available to beneficiaries across the country, either through additional funding requests from the SSA for BPAO appropriations, or through payments to BPAO for individual benefits analysis. In considering this recommendation, it will be important to study any potential effects on the independence and objectivity of BPAOs.

⁵⁰ SSA 2004 Annual Report on the SSI Program.

Existing work incentives are so numerous and complex that, even within the SSA, only a small number of specialists understand them. The AOI Advisory Group recommends that the SSA expand the number of Benefits Specialists available to beneficiaries across the country, either through additional funding requests from the SSA for BPAO appropriations, or through payments to BPAO for individual benefits analysis completed in collaboration with an individual and an EN that result in beneficiaries returning to work. As noted earlier, it will be important to study any potential effects on the independence and objectivity of BPAOs.

Further, given that BPAO Programs provide benefits counseling on disability programs, return to work, and work incentive programs administered not only by the SSA but also other federal entitlements (e.g. Subsidized and Supportive Housing, Medicaid, TANF, Veterans Benefits, tax credits, and others), the Advisory Group recommends that the SSA explore the establishment of Federal Interagency Agreements with other federal agencies, such as CMS, HUD, and the Veterans Administration, for the purpose of subsidizing the benefits planning efforts. This would ensure comprehensive benefits counseling across all major federal benefit programs, co-mingling federal dollars to expand the BPAO infrastructure. It would also support employment outcomes across the myriad of existent public entitlements that currently pose barriers to employment. This could be accomplished in various ways: 1) Transfer of federal dollars from individual agencies to the SSA as they administer the BPAO infrastructure; 2) Provision of specialized incentives to BPAO Programs that result in certain outcomes, as underwritten by specific agencies (i.e., outcome payments from CMS for benefits planning and application support that results in beneficiaries becoming eligible for state Medicaid Buy-In Programs); and/or, 3) Additional contracting of other federal agencies directly with the existing BPAO infrastructure to expand the number of benefits specialists available possibly allowing for specializations in certain areas such as housing, health care, etc.

CAUTIONARY NOTES

The AOI Advisory Group believes that the recommendations in this report are essential to the success of the Ticket to Work Program and that there is widespread support for immediate modification to the payment system in order to, among other things, provide ENs some up front funding relief as well as changes to reduce the administrative burden on both ENs and beneficiaries.

It is recognized, however, that some people may question the timing of some of the recommendations to reform the Ticket Program and the guiding principles on which they are based and favor a slower pace to address key policy issues. Some of these concerns are as follows:⁵¹

- The Ticket Program has not yet been adequately marketed or funded. In addition, there was a delayed rollout in the 13 largest states and difficulties in ENs and beneficiaries obtaining reliable information, struggles with implementation issues such as treatment of pipeline cases, payment rules and administrative data. Some believe that any new

⁵¹ See Ticket Panel's *Annual Reports #2 and #3*. See generally articles appearing in *Paying for Results in Vocational Rehabilitation--Will Provider Incentives Work for Ticket to Work?* Edited by Kalman Rupp and Stephen H. Bell (Urban Institute, January 2003) and *Lewin* (2003).

legislation as complex and far reaching as the Ticket Program is likely to achieve low initial participation rates until it can be efficiently administered by the SSA and well understood by the ENs, SSDI and SSI beneficiaries as well as relevant Federal and state agencies.

- It is widely believed that few beneficiaries are aware of existing work incentives that have been a part of the SSDI and SSI programs since their inception as well as the new incentives provided by the Ticket to Work and Work Incentives Improvement Act. Although the Ticket to Work Program requires trained, accessible, and responsive employees that will assist beneficiaries who attempt to work, the position has not yet been firmly established in the SSA's field offices.
- To date, there is a scarcity of definitive, reliable research findings regarding the number and characteristics of the population of individuals with disabilities in the targeted groups or the level and cost of service that will be needed. The SSA Adequacy of Incentives Study, mandated by law, is in the early stages and it is unknown with a high degree of certainty what it will take for ENs to serve these individuals.
- The possible increase in short-term costs might erode support for the program. The cumulative effect of expanding the categories of persons eligible to use a Ticket, providing increased payments to ENs and establishing additional financial incentives for beneficiaries to participate in the Ticket Program could be difficult for the many stakeholders to immediately absorb.

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APPENDIX 1

Cost/Benefit Analysis for SSI

*Based on FBR=\$552

Proposed Outcome-Milestone Payment System

Milestones At Initial Efforts at Self-Sufficiency (\$600/mo.)	EN Payment	SSI Benefits Not Payable*	SS Tax Contribution @ 12.4%	SSI Net + or (-)
Placement @ 2 weeks of work	\$1,000.00	\$107.50	\$37.00	\$(855.50)
2 Months	\$1,000.00	\$386.25	\$112.00	\$(501.75)
5 Months	\$1,000.00	\$772.50	\$223.00	\$(4.50)
9 Months	\$1,000.00	\$1,030.00	\$297.60	\$327.60
Totals	\$4,000.00	\$2,296.25	\$669.60	\$(1,034.15)
Quarters at Partial Self-Sufficiency (\$800/mo. X 3=\$2,400)				
Qtr 4-8 Per Quarter	\$800.00	\$1,072.50	\$297.60	\$570.10
Qtrs 9-20 Per Qtr.	\$600.00	\$1,072.50	\$297.60	\$770.10
Total Outcome Payments	\$11,200.00			
Milestones+Outcome Payments	\$15,200.00		Total Net Savings	\$11,057.55
Quarters at Full Self-Sufficiency (\$1200/mo.x 3=\$3,600)				
Qtr 4-8 Per Qtr.	\$1,000.00	\$1,656.00	\$446.40	\$1,102.40
Qtrs 9-20 Per Qtr.	\$750.00	\$1,656.00	\$446.40	\$1,352.40
Total Outcome Payments	\$14,000.00			
Milestones+Outcome Payments	\$18,000.00		Total Net Savings	\$20,706.65

Cost/Benefit Analysis for SSDI

Proposed Outcome-Milestone Payment System

Milestones At Initial Efforts at Self- Sufficiency (\$600/mo.)	EN Payment	SSDI Benefits Not Payable*	SS Tax Contribution @ 12.4%	SSDI Net + Or (-)
Placement @ 2 weeks of work	\$1,000.00		\$37.20	\$(962.80)
2 Months	\$1,000.00		\$111.60	\$(888.40)
5 Months	\$1,000.00		\$223.20	\$(776.80)
9 Months	\$1,000.00		\$297.60	\$(702.40)
Total Milestone Payments	\$4,000.00		\$669.60	\$(3,330.40)
Quarters at Partial Self-Sufficiency (\$800/mo. X 3=\$2,400)				SSDI Net per Qtr
Qtr 4-8 Per Quarter*	\$800.00	\$2,457.00	\$297.60	\$1,954.60
Qtrs 9-20 Per Qtr.	\$600.00	\$2,457.00	\$297.60	\$2,154.60
Total Outcome Payments	\$11,200.00			
Total Milestones+Outcome Payments	\$15,200.00		Total Net Savings	\$30,343.20
Quarters at Full Self-Sufficiency (\$1200/mo.x 3=\$3,600)				
Qtr 4-8 Per Qtr.	\$ 1,000.00	\$2,457.00	\$446.40	\$1,903.40
Qtrs 9-20 Per Qtr.	\$750.00	\$ 2,457.00	\$446.40	\$2,153.40
Total Outcome Payments	\$14,000.00			
Total Milestones+ Outcome Payments	\$18,000.00		Total Net Savings	\$30,124.00

*For

SSDI savings start in Qtr. 5
due to TWP + grace period

Cost/Benefit Analysis for SSI

Proposed Outcome Only Payment System

Quarters at Partial Self-Sufficiency (\$800/mo.x 3=\$2,400)	EN Payment	SSI Benefits Not Payable*	SS Tax Contribution @ 12.4%	SSI Net
Qtrs 1-8	\$1,000.00	\$1,072.50	\$297.60	\$370.10
Qtrs 9-20	\$700.00	\$1,072.50	\$297.60	\$670.10
Total Outcome Only Payments	\$16,400.00		Total Net Savings	\$11,002.00

Quarters at Full Self-Sufficiency (\$1200/mo.x 3=\$3,600)				
Qtrs 1-8	\$1,200.00	\$1,656.00	\$446.40	\$902.40
Qtrs 9-20	\$800.00	\$1,656.00	\$446.40	\$1,302.40
Total Outcome Only Payments	\$19,200.00		Total Net Savings	\$22,848.00

*Figured at FBR=\$552

Cost/Benefit Analysis for SSDI

Proposed Outcome Only Payment System

Quarters at Partial Self-Sufficiency (\$800/mo.x 3=\$2,400)	EN Payment	SSDI Benefits Not Payable*	SS Tax Contribution @ 12.4%	SSDI Net
Qtrs 1-8	\$1,000.00	\$2,457.00	\$297.60	\$1,754.60
Qtrs 9-20	\$700.00	\$2,457.00	\$297.60	\$2,054.60
Total Outcome Only Payments	\$16,400.00		Total Net Savings	\$31,673.60

Quarters at Full Self-Sufficiency (\$1200/mo.x 3=\$3,600)				
Qtrs 1-8	\$1,200.00	\$2,457.00	\$446.40	\$1,703.40
Qtrs 9-20	\$800.00	\$2,457.00	\$446.40	\$2,103.40
Total Outcome Only Payments	\$19,200.00		Total Net Savings	\$32,054.40

*For SSDI savings start in Qtr. 5 due to
TWP + grace period

APPENDIX 2

Adequacy of Incentives (AOI) Advisory Group

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APPENDIX 3

ACRONYMS

- **AFIA:** Assets for Independence Act
- **AOI:** Adequacy of Incentives (used as AOI Advisory Group)
- **AWIC:** Area Work Incentive Coordinator
- **BPAO:** Benefits, Planning, Assistance & Outreach
- **BPQY:** Benefits Planning Query
- **CDR:** Continuing Disability Review
- **CMS:** Center for Medicare & Medicaid Services
- **CRP:** Community Rehabilitation Provider
- **DAC:** Disabled Adult Child
- **DOL:** Department of Labor
- **DRI:** Disability Research Institute
- **ED:** Department of Education
- **EIWP:** Enhanced Individual Work Plan
- **EN:** Employment Network
- **EPE:** Extended Period of Eligibility
- **ETA:** Employment and Training Administration
- **EXR:** Expedited Reinstatement
- **GAO:** Government Accountability Office
- **HCBS:** Home and Community Based Services and Supports
- **HHS:** Department of Health and Human Services
- **HUD:** Department of Housing and Urban Development
- **IDA:** Individual Development Account
- **IDEA:** Individuals with Disabilities Education Act
- **IPE:** Individual Plan for Employment
- **IRS:** Internal Revenue Service
- **IRWE:** Impairment Related Work Expense
- **MH:** Mental Health
- **MR/DD:** Mental Retardation/Developmental Disabilities

- **NCD:** National Council on Disability
- **NIDRR:** National Institute on Disability and Rehabilitation Research
- **NIMH:** National Institute on Mental Health
- **ODEP:** Office of Disability Employment Policy
- **PASS:** Plans for Achieving Self Support
- **PCPID:** President's Committee for People with Intellectual Disabilities
- **RSA:** Rehabilitation Services Administration
- **SAMHSA:** Substance Abuse and Mental Health Services Administration
- **SGA:** Substantial Gainful Activity
- **SSA:** Social Security Administration
- **SSDI:** Social Security Disability Insurance
- **SSI:** Supplemental Security Income (Title XVI of the Social Security Act)
- **TANF:** Temporary Assistance for Needy Families
- **TWP:** Trial Work Period
- **UI:** Unemployment Insurance
- **VR:** Vocational Rehabilitation
- **WIA:** Workforce Investment Act of 1998