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Impact of Vocational Rehabilitation Services  
on the Social Security Disability Insurance  
(DI) Program

Statement of  
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Before the  
House Ways and Means Committee  
Subcommittee on Social Security



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## SUMMARY

- Vocational rehabilitation's (VR's) effect on the Social Security Disability Insurance (DI) program has been negligible.
  
- GAO studied persons who became DI beneficiaries in 1983 and found: (1) by 1986, only 1 percent had left the benefit rolls because of working and less than one-third of those had received services from a state VR agency; (2) of the beneficiaries who had some VR experience, nearly two-thirds began with a VR agency before they were granted DI benefits; and (3) many beneficiaries who complete VR programs have earnings either less than their DI benefits or not enough to make it worth giving up their benefits.
  
- In the 10 state Disability Determination Services (DDSs) we reviewed, we found some DDSs are more active than others in referring DI claimants to VR agencies and getting them involved in VR programs, but these differences have little effect in getting people off the DI rolls.
  
- VR counselors we surveyed in the 10 states said (1) most DI beneficiaries are reluctant to get involved with VR because many feel they are too disabled to work and many are afraid of losing their DI and Medicare benefits; (2) beneficiaries are generally older and more severely disabled with a low probability of success; (3) those beneficiaries who try rehabilitation are generally younger persons and self-motivated; (4) more beneficiaries would attempt to work if their DI benefits were reduced on a sliding scale as their earnings increased, and even more would attempt to work if they were also offered indefinite continuation of medicare benefits.
  
- GAO originally suggested a sliding scale benefit concept in a 1976 report. In the 1980 disability amendments, the Congress directed SSA to experiment with such an approach in a demonstration project. To date, SSA has not conducted such an experiment. We believe that SSA should undertake such a demonstration to determine whether a sliding benefit scale would encourage enough beneficiaries to work so that savings to the trust fund would outweigh any additional costs.

Mr. Chairman and Members of the Subcommittee:

We are pleased to be here to discuss the results of our study of vocational rehabilitation services provided to beneficiaries of the Social Security Disability Insurance (DI) program. In response to a request from your Subcommittee, we reviewed the rehabilitation program and reported to you on February 3, and December 7, 1987.<sup>1</sup>

Since the beginning of the DI Program, the Congress has encouraged the Social Security Administration (SSA) to refer claimants to state vocational rehabilitation (VR) agencies. From 1965 to 1981, SSA was authorized to provide substantial funding to VR agencies to pay for services provided to DI beneficiaries. Over the years, however, few beneficiaries returned to work and left the DI rolls. Since 1981, SSA has reimbursed VR agencies only for demonstrated successes, defined as placing a DI beneficiary in substantial gainful activity for 9 months or more. Under this policy, SSA funding of VR agencies fell sharply and VR agency services to DI beneficiaries also declined.

Age and disability conditions keep many DI beneficiaries from returning to work, and others are dissuaded by economic

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<sup>1</sup> Social Security: State Vocational Rehabilitation Agencies' Reimbursement for the Disabled (GAO/HRD-87-36BR, February 3, 1987).  
Social Security: Little Success Achieved in Rehabilitating Disabled Beneficiaries (GAO/HRD-88-11, December 7, 1987).

disincentives. A large majority of DI beneficiaries, approximately 85-90 percent based on our data, are either too old to be considered realistic candidates for vocational rehabilitation or are unlikely candidates because of the nature of their disability. Also, individuals who have just gone through the experience of convincing SSA of their total disability may not be very receptive to offers of rehabilitation.

#### STUDY OF 1983 CLAIMANTS

We studied DI claimants granted benefits in 10 states in 1983. By February 1986, only 1 percent had left the DI benefit rolls due to working. This 1 percent includes people who returned to work without benefit of VR services. Less than one-third of those who left the rolls had received services from a state VR agency.

The beneficiaries who had been evaluated for services by VR agencies generally were much younger than those not evaluated. In our study, those with no VR contact had a median age of 56, while those with VR experience had a median age of 33. Certain types of disability conditions were more prevalent among the beneficiaries evaluated for VR services than among the general DI beneficiary population. For example, those who had been injured in accidents or had visual, hearing, or mental

impairments accounted for 63 percent of those evaluated for VR, but comprised only 25 percent of the DI population.

About 12 percent of the DI beneficiaries had some VR experience, and nearly two-thirds of these had received services from a VR agency before they were granted DI benefits. For the most part, claimants who do have some rehabilitation experience were referred to the VR agencies by someone other than the state disability determination service (DDS). Examples of other referral sources are hospitals, doctors, local social agencies, and self-referrals.

In our study, the claimants who successfully completed rehabilitation programs often had low earnings. About 60 percent were earning less than their DI benefits (counting spouse and child benefits, where appropriate). Some who earned more than their benefits apparently did not earn enough more to justify giving the benefits up. The nine percent who did leave the DI rolls had earnings averaging \$746 per month more than their DI benefits.

#### REFERRAL POLICIES OF STATES DIFFER

The 10 states we studied varied considerably in the percentage of DI beneficiaries referred to VR agencies, from 41 percent in Wisconsin to about 2 percent in California. The VR

agencies made varying efforts to contact and evaluate the referrals. But these state differences seemed to have little effect. All remained very low in the percentage of DI beneficiaries who left the rolls because of working. Connecticut, one of the less active states in terms of referrals, had the highest success rate with 5 beneficiaries per 1,000 leaving the DI rolls.

#### VR COUNSELOR VIEWS

VR counselors believe there is low participation by DI beneficiaries in VR programs because most often beneficiaries either believe they are too disabled to work or they are afraid to risk losing their DI and Medicare benefits. Many counselors commented that loss of Medicare was a significant concern to disabled persons because they fear they would not be able to replace it with other health insurance.

The counselors, in general, viewed DI beneficiaries as an older and more severely disabled client group, with a low probability of succeeding in a VR program. Those who do participate in VR programs were often younger persons who were motivated by a desire to return to the workforce.

Counselors believe the currently available work incentives are helpful to beneficiaries who are anxious to return to work,

but are not likely to induce others to attempt working. Current incentives include a 9-month trial work period, extended Medicare benefits, and a 15-month extended period of eligibility during which a terminated beneficiary may stop working and return to the benefit rolls without a new application. Counselors generally believed more beneficiaries would attempt working if their Medicare benefits were continued indefinitely and some of their DI benefits were continued on a sliding scale based on earned income. More than 90 percent of the counselors believed these two changes would encourage more beneficiaries to try working. In fact, 65 percent of the counselors said that substantially more would attempt to work.

We believe that no significant increase in work activity by DI beneficiaries is likely without a benefit change that would create an incentive to work. Under the current benefit structure beneficiaries have little incentive to attempt working unless they are capable of earning substantially more than their tax-free DI benefits. If current beneficiaries engage in substantial gainful activity (essentially \$300 per month of earned income)<sup>2</sup> for more than 9 months, they lose their DI benefits and, after a grace period, their Medicare benefits. Even under a new approach, the increase in work activity would be limited because most DI beneficiaries are unlikely candidates for vocational rehabilitation.

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<sup>2</sup>For blind beneficiaries, the amount in 1987 was \$690 per month.

DEMONSTRATION OF A SLIDING BENEFIT SCALE

We suggested a sliding benefit scale in a 1976 report.<sup>3</sup> Under such a system, a beneficiary who returned to work would lose a portion of his benefits based on his earned income. This would allow him to increase his income while retaining his beneficiary status. The trust fund would benefit from lower payments to these individuals, in some cases no payments at all.

In 1980, the Congress directed SSA to experiment with a reduced benefit approach. SSA made plans for such an experiment, but to date has not carried them out. The Congress renewed SSA's authority for a demonstration in 1986. In 1987, SSA provided us a list of demonstration projects it was pursuing, but these did not include a demonstration of the sliding scale concept. We believe that it would be worthwhile to pursue a demonstration project to determine whether providing benefits on a sliding scale would reduce DI costs.

This concludes my statement. We will be pleased to answer any questions.

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<sup>3</sup>Improvements Needed In Rehabilitating Social Security Disability Insurance Beneficiaries (MWD-76-66, May 13, 1976)