

# THE TICKET TO WORK PROGRAM

Helping the Disabled to Achieve Self-Sufficiency

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## Executive Summary

The Ticket to Work Program (TTW) provides disability-insurance beneficiaries with a “ticket” or voucher that they can use to obtain free vocational rehabilitation and employment services (including career counseling, job placement, and ongoing employment support) from public, private, and nonprofit agencies or companies. The goal is to help people find self-supporting jobs, leave the disability rolls, and relieve financial pressure on the Social Security Disability Insurance (SSDI) program. Employment service providers receive cash payments from the Social Security Administration for performance outcomes determined by work-related successes of the former beneficiaries. These payments reflect a portion of the savings to the SSDI Trust Fund because the individuals no longer receive benefits.

This report follows the experience of America Works—one of hundreds of employment networks that participate in Ticket to Work—as a way of examining the program’s successes and shortcomings. When TTW launched in 2004, America Works chose not to participate, determining that the program’s payment structure would not provide sufficient support for the work that it would need to do. After the federal government enacted significant reforms in 2008, however, America Works decided to join TTW, and the company’s senior executives today consider the program a success. The decision of America Works was not unusual; the number of employment networks and other entities participating in TTW increased significantly after 2008.

Is Ticket to Work a success? An assessment by Mathematica Policy Research found that TTW has a positive, if limited, effect in helping men and women on disability obtain employment. However, the overall participation rates of SSDI beneficiaries in the program remain low.

Understanding why this is so—and what might be done to increase the number of beneficiaries who can leave the disability rolls—requires a detailed look at the broader challenges of SSDI and potential reforms that can help the system achieve long-term solvency. While none of these reforms directly addresses the Ticket to Work program, many of them could amplify the positive impact of the program.

# THE TICKET TO WORK PROGRAM

## Helping the Disabled to Achieve Self-Sufficiency

### Introduction: The Federal Disability System's Growing Crisis

The Social Security Administration's (SSA) Ticket to Work and Self-Sufficiency Program enables beneficiaries (ages 18–64) of Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) who choose to participate to receive a “ticket” or voucher to utilize free vocational rehabilitation and employment services (career counseling, job placement, etc.) from state vocational rehabilitation agencies (SVRAs) or employment network (EN) operators (public, nonprofit, or for-profit enterprises). The program helps participants find self-supporting employment and financial independence, leave the disability payrolls, and save money.

The desire to get people back to productive work and off the public rolls has long animated reformers of many stripes, including those who championed the 1996 welfare reform. However, the only way to understand how TTW came about—and how it can be properly evaluated—is to see it in the larger context of the federal disability system's escalating financial problems.

SSDI and SSI provide support to individuals with long-term disabilities who are unable to work at a substantial level. SSDI is a payroll-tax-funded federal insurance program that provides cash benefits to workers (and, in some circumstances, to their families) who have paid into the system and can no longer work because of a disability. Beneficiaries with low incomes and very limited assets may also qualify for Supplemental Security Income (SSI), a federal income-supplement program funded by general tax revenues (not the SSDI Trust Fund). SSI is determined solely on financial need, not on work history.

The Ticket to Work program, enacted in 1999, is part of the federal government's efforts to reduce disability payments after decades of increasing enrollments and expenditures. The number of SSDI beneficiaries (most of them disabled workers; but also children and widows) rose from 1.8 million in 1970 to 10.2 million in December 2015.<sup>1</sup> There were also 8.3 million people receiving SSI payments. Because of its rapid growth, according to David Autor and Mark Duggan, “SSDI has come to encompass an ever-larger share of the Social Security system budget. In 1989, approximately one in ten Social Security dollars was spent on SSDI. By 2009, this number had risen to almost one in five Social Security dollars.”<sup>2</sup> In 2014, SSDI expenditures exceeded \$142 billion, while dedicated payroll taxes to fund the program totaled only \$106 billion—a deficit of \$36 billion in a single year.<sup>3</sup>

The SSDI Trust Fund faced a fiscal crisis in 2015; its funds were expected to be depleted by December 2016, requiring a 20% reduction in benefits. To avoid that situation, Congress passed the Bipartisan Budget Act of 2015. The law reallocated more of the payroll tax from the Social

Security Retirement Trust Fund into the SSDI Trust Fund, enabling full beneficiary payments through 2022. This action was not unusual; Congress had previously reallocated taxes between the two funds, when one fund or the other faced shortages. But the fix, like others before it, was temporary. No long-term solution to the SSDI Trust Fund's solvency has been identified.

## What Is Driving the Explosion of the Disability Rolls?

Numerous studies have attempted to analyze causes of the increase in beneficiaries. The Center on Budget and Policy Priorities argues that recent growth stems primarily from the aging of the baby boomers, the increase of women in the labor force, and the increase in Social Security's full retirement age, resulting in beneficiaries remaining on SSDI longer.<sup>4</sup> Other research finds that these factors are only part of the story. One study published by the Federal Reserve Bank of San Francisco notes that of the growth of SSDI case-loads, a significant fraction, "between 44% and 57%," is not attributable to demography or the increase of the retirement age.<sup>5</sup>

The rise in the number of SSDI beneficiaries has coincided with medical advances that allow more people to remain on the job with a disability, as well as new laws banning workplace discrimination against the disabled. Presumably, both factors would assist disabled individuals in maintaining gainful employment. The nature of work itself has also changed since 1956, when SSDI was introduced, making employment easier for some categories of disabled workers and harder for others. "Work has become less physical in nature, and traditionally defined disability has become easier to accommodate in the workplace," write Jason Fichtner and Jason Seligman. "The reverse is true for mental disabilities. As work has become more analytic and social, mental disabilities weigh heavier on opportunities for employment. This shift has changed the applicant pool and weighs on the determination process."<sup>6</sup>

There is little evidence to support the idea that the health of the working-age population is deteriorating, yet applications for disability keep increasing. Drawing

on a study in the *New England Journal of Medicine*, David Autor and Mark Duggan note that "the prevalence of mental disorders in the US population was unchanged between 1990 and 2003. In the same interval, the rate of treatment of mental illness substantially increased—which in turn should have contributed to improved work-readiness among individuals coping with mental illness." Yet, following legislative reforms to SSDI in 1984, the percentage of awards due to mental and musculoskeletal disorders has significantly increased—from 27% in 1981 to 54% in 2010.<sup>7</sup> In 1984, after public outcry over disability policy in the early 1980s, Congress expanded how individuals could qualify for disability-insurance benefits, including the addition of mental disorders and chronic pain conditions.

One potential reason for the increase in SSDI beneficiaries is that the benefits are paid entirely by the federal government, in contrast to other social programs that are shared responsibilities with the states, such as welfare. States have an incentive to move people from welfare onto disability, and companies now assist states and counties in identifying individuals with the highest likelihood of meeting SSDI criteria.

These companies get paid when they are successful with a person's claim to get on federal disability rolls and off state welfare rolls. These activities could save states tens of millions of dollars, but those costs are shifted onto the federal government, resulting in a new social safety net for individuals

who potentially have the capacity to work but are using SSDI as an income-replacement program.<sup>8</sup> Law firms and other private companies have similarly staked entire businesses on reaching out directly to individuals and encouraging them to open a case for disability insurance; this has become a boom business in many communities.

Once a person gets onto the disability rolls, he typically does not leave. In 2013, 9% of disabled workers had their benefits terminated (769,171 workers' benefits were ended in 2013),<sup>9</sup> but over 90% of this group dropped from the rolls because they died or reached full retirement age and started receiving benefits from the Old Age and Survivors Insurance program. Fewer than 60,000 (about 0.5%) had their benefits terminated because they successfully returned to work, experienced medical improvement, or were not complying with program rules.<sup>10</sup>

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Part of the reason for the low return-to-work figures is the rigor of the application process. The process to get disability benefits is quite rigorous and takes months and even years to complete.<sup>11</sup> Based on one cohort of applicants (from 2010 to 2012, based on SSA data), only about four out of 10 were ultimately awarded benefits.<sup>12</sup> Beneficiaries have spent significant time, money, and effort to demonstrate that they cannot work. Once approved, many fear coming off the rolls and the process that they might need to undergo if they need benefits again.

Beneficiaries not only fear losing the cash payments. After 24 months on disability, all beneficiaries are eligible for Medicare. Beneficiaries' Medicare benefits are almost as valuable to them as the SSDI cash payment.<sup>13</sup> The average monthly Medicare expenditure per individual was \$1,017 in 2013.<sup>14</sup> This helps explain the reluctance of beneficiaries to leave the rolls. This reluctance leads many of them to avoid jobs that they could get where they earn above the income thresholds that trigger the loss of benefits—what is called falling off the “cash cliff.”

A frequent criticism of the SSDI program is its misuse as an early-retirement program: the vast majority of SSDI beneficiaries (almost three-quarters) are between 50 and 66, the current full retirement age.<sup>15</sup> Another is that disability benefits are used as an income replacement during economic recessions and in declining industries. Avik Roy, for example, pointed out in 2013 that “the last three times the unemployment rate has gone up due to recession—in the early 1990s, the early 2000s, and the late 2000s—applications for Social Security Disability Insurance have spiked.”<sup>16</sup> Autor and Duggan similarly argue that workers are most likely to apply for SSDI benefits following job loss.<sup>17</sup> While economic decline clearly does not cause disability, it can cause newly unemployed people to characterize themselves as disabled and apply for benefits.<sup>18</sup> Individuals who can no longer find work, particularly in the manufacturing sector, where jobs are being replaced by automation, may find themselves claiming disability when, in fact, jobs exist—just not the ones they formerly had.

“There are two ways we have failed with our Social Security Disability system,” Lee Bowes, CEO of America Works, said in an interview. “First, we assume people cannot work and need a lifelong check to stay home. This destroys self-esteem, physical health and increases social isolation. The second way we have failed is that we are bankrupting the whole Social Security system. The rapid growth of people entering and never exiting the rolls is not sustainable. We need to divert people during the two years it takes to enter the system into employment so they never open a case, and we need

to assume the majority of people on SSDI/SSI can and should look for work while they are in the program. This is not just fiscally prudent but the humane thing to do.”

## Ticket to Work: An Overview

The SSA defines disability as the inability to engage in substantial gainful activity (SGA) because of a medically determinable physical or mental impairment that can be expected to result in death or lasts at least a year. Eligibility for benefits is based on an inability to work above an income threshold, the SGA level. In 2017, the monthly SGA amount for blind individuals is \$1,950 and \$1,170 for non-blind individuals.<sup>19</sup>

In theory, disability beneficiaries should not be able to earn income at such levels. In reality, many individuals are earning at those levels, with the right supports and incentives. That is where Ticket to Work (TTW) comes in.

TTW is a performance-based system, an important change from past experience. The government previously reimbursed SVRAs based on the cost of the services provided to beneficiaries. In the TTW program, the SSA pays for outcomes (individuals moving off cash benefits) rather than specific inputs (job services). Employment service providers whose clients successfully return to work receive payments reflecting a portion of the savings to the SSDI Trust Fund because those individuals are working and not receiving benefits.

TTW was designed to create a robust market for employment services: disability beneficiaries could find the organization best suited to their needs and objectives, while ENs had an incentive to offer services matched to the beneficiaries they can best serve.<sup>20</sup> The program also meant to correct a problem in previous vocational servicing arrangements: “[P]ayment of providers on the basis of services received,” writes Alice Burns, “creates incentives for providers to keep beneficiaries on the rolls and receiving vocation rehabilitation services for as long as possible. By allowing private organizations to ‘compete’ with state agencies and by paying providers for successful rehabilitations, TTW addressed both of these concerns.”<sup>21</sup>

The 1999 Ticket Act also made other reforms that encouraged beneficiaries to work, including: 1) active ticket-users would not be subject to continuing disability reviews, the periodic checks that determine whether

they are still medically unable to work; 2) starting to work would no longer trigger a review; 3) expedited reinstatement would allow disability benefits to resume, without a new application, for up to five years after leaving rolls for work; and 4) Medicare coverage for individuals who return to work was extended from 39 months to 93 months; after that, they could purchase health insurance through a Medicaid Buy-In Program. Together, these changes amplify the effect of the ticket system, supporting individuals who want to work.

The TTW program was phased in over a three-year period and was fully in place nationwide by September 2004, having issued more than 11 million tickets to all eligible participants across the country. However, by the end of the phase-in period, 90% of tickets assigned by beneficiaries were to SVRAs and only 10% to ENs.<sup>22</sup> A new market had failed to quickly materialize. The reason was plain. ENs accept some degree of risk when signing up for TTW and taking on beneficiaries. They are only paid based on success in assisting beneficiaries secure and maintain employment to move off the cash rolls. But TTW's payments were an insufficient incentive for private employment networks to participate in the program.

## 2008 Regulatory Reform

A National Beneficiary Survey conducted for the SSA in 2005 indicated that 16% of disability beneficiaries would like to earn their way off the rolls within five years. By December 2005, however, a mere 1.8% of disability beneficiaries were participating in the TTW program in the 13 Phase 1 states.<sup>23</sup>

More than a year after the phase-in was complete, the comparatively few beneficiaries who assigned their tickets to an EN said that they received fewer services than those who assigned their ticket to an SVRA and that they were generally less satisfied with the services they received. Only a third of the registered ENs had accepted any tickets at all. As of early 2007, ENs as well as SVRAs were losing interest in the program; and many ENs had allowed their contracts to expire.<sup>24</sup>

Regulatory reforms proposed in September 2005 and finalized in May 2008 increase the total value of potential payments to ENs, and after the changes came into effect, there was a sizable increase in the number of payments made to these networks.<sup>25</sup> The reforms also sought to reduce the administrative burden: the SSA reduced the backlog of work, introduced a streamlined EN application process,

created a help desk, automated earnings tracking and verification, and expedited the process for payments.<sup>26</sup> The SSA undertook new marketing campaigns to promote the program, targeting ENs as well as beneficiaries.

After the regulatory changes, Ticket to Work began to grow fairly rapidly. Between June 2008 and December 2009, the number of beneficiaries who assigned a ticket to an EN more than doubled,<sup>27</sup> from 305 ENs to 639 ENs.<sup>28</sup> According to an analysis that compared pre- and post-regulation beneficiaries, a larger share of TTW participants were younger, more likely to have psychiatric conditions, and less likely to have ever worked for pay (79% versus 94%), suggesting that ENs were more likely to accept harder-to-serve beneficiaries under the new system.<sup>29</sup> Post-change participants using these providers were 18% more likely than the pre-change cohort to report satisfaction with the program and less likely to report unmet service needs.<sup>30</sup>

A substantial number of ENs began as well to participate in TTW. America Works was one of them.

## America Works: A Case Study

America Works is a private, for-profit, workforce development firm that helps find jobs for hard-to-place individuals. The company has been providing employment services since Peter Cove, a social activist and entrepreneur, founded the firm in 1984. The goal was to lift people out of poverty through personalized employment services, bringing the job market to people whom it had seemingly left behind.

In addition to the Ticket to Work program, America Works serves clients in programs that support military veterans, long-term welfare and food stamp recipients, former criminal offenders, youths aging out of foster care, people who are homeless, and people living with HIV/AIDS. America Works operates under performance-based government contracting, by which governments pay only when specific outcomes are achieved—typically getting various beneficiaries off of government dependency and into self-sufficient employment.

Peter Cove and his wife, America Works CEO Lee Bowes, are two of the country's leading experts on social programs like welfare-to-work. They worked closely with Congress in the 1990s, demonstrating that government could reduce the welfare rolls by

finding jobs for clients who were receiving benefits, which helped provide the rationale for the Welfare Reform Act of 1996, which added work requirements for welfare beneficiaries. America Works has placed more than 600,000 individuals in jobs over the last three decades. But Cove and Bowes joined TTW only after the 2008 reforms to the program were in place.

America Works is one of many hundreds of ENs that now participate in TTW across the country. In January 2017, the SSA's website showed 135 TTW providers in New York State, including 101 ENs. America Works has dedicated 25 staff members to TTW and has experienced a steady growth in the number of beneficiaries signing up each year.

America Works provides job readiness training, job placement services, and job retention services to all its clients, but begins its TTW services with an orientation. TTW-dedicated staff explain the program and its requirements and seek to ensure that the people at the orientation understand whether America Works is the best fit for them.

Disability beneficiaries who choose to assign their ticket to America Works work, one-on-one, with a staffer to create a customized work plan that lays out short- and long-term employment goals: What do they want to do with their careers in the first three to six months—and five years down the road? Together, they sketch out how to get from point A to point B. For example: What additional training will they require to move up from entry-level jobs? What links can be established between the short- and long-term needs, and how will they achieve those objectives?

After the work plan is completed, America Works reviews the client's résumé, if he has one, or helps him to write one. They do mock interviews and offer classes that are job-focused and include earning a food-handling certificate or a security-guard license, or receiving home health aide training. America Works also provides basic job readiness training (time management, balancing child care while working), counseling or therapy if needed, and interview-ready clothing and haircut assistance. Depending on individuals' goals, they may take advantage of a few or many of these services, and their individualized work plan will outline what they most need.

Sales representatives for America Works have long developed relationships with private and public employers. They go out into the field, talk to employers' human-resources teams to understand what the company is hiring for and to identify good matches for clients, including for TTW clients. Employers

know that when they bring a job opening to America Works, they will get prescreened, qualified, trained, and motivated individuals. Companies can outsource initial screening to America Works. America Works devotes significant effort to develop relationships with private employers, acting similarly to an outsourced human-resources department rather than as a social-services agency for a client.

With jobs identified and clients matched for an interview, America Works staff help clients fill out applications and prepare them for interviews. Once clients get a job, America Works seeks to ensure that they hold on to it, that they are accommodated if they need it, and that they are able to move up over time. Retention is just as important as placement. Staff may provide transportation assistance reimbursement to get to an interview or through the first few months on the job. They offer bonus checks or gift cards to thank individuals for working and to keep them engaged and interested. They keep in contact with clients for several years to remind them of ongoing work services and classes to develop new skills and get help with changing life situations, such as help with day care for a new child.

Cove and Bowes today consider the Ticket to Work program a successful business line within America Works. In 2016, they enrolled 1,295 new beneficiaries across the country and successfully placed 626 people in gainful employment, a 48% success rate. In addition, they placed another 400 people who were working but not yet earning enough to qualify for billing to the SSA. Using data from their New York contract (one of three contracts with TTW), they say that from 2011 to 2015, of the clients who were successfully hired, 75% of those reached at least 12 months of employment.

America Works prides itself on its individual attention to its TTW participants. Each of its offices throughout the country has at least one staff person, and sometimes more, dedicated solely to TTW. Some of the other programs of America Works are much bigger, and they did not want TTW clients to get lost in the shuffle of those larger programs. Clients make an appointment to see the TTW staff person at their local office; they don't have to come in and wait in a long line or compete for staff time among other government programs. America Works has a call center that can route ticket holders to these dedicated staff to set up appointments or discuss needs on the phone or virtually. The entire process is defined by a customized approach to each individual.

## Program Challenges

Bowes acknowledges that TTW's future growth at America Works is uncertain. The men and women who come to TTW do so voluntarily and are already motivated; they are self-selecting individuals who *want* to work. Nevertheless, about one-third of the individuals who assign their ticket to America Works still never show up for a second visit.

Much of the initial work that America Works undertakes is selling individuals on themselves, motivating them, and instilling in them the confidence that they can be successful at work. Beneficiaries encounter a lot of disincentives to get a job; America Works aims to show them that they can get a job. It helps them get over their fear of losing their benefits and shows them what they can gain by working—not only a self-sufficient salary but also the many social, psychological, intellectual, and emotional benefits that are associated with gainful employment. America Works also ensures that the individual understands how his benefits would be affected if he does return to work in a significant manner.

In addition to challenges in motivating individuals and retaining them as clients, America Works, as well as other ENs that participate in the program, faces difficulties in reaching beneficiaries in the first place. According to America Works, the SSA is not as easy to navigate as it could be. Some SSA field officers are knowledgeable and helpful, but most are not familiar with the program, cannot provide much support, and are not actively promoting the program to beneficiaries. Advertising and outreach are left almost entirely to the ENs.

America Works reaches beneficiaries through several methods—newspaper ads, lottery ads, radio spots, letters to local politicians, outreach to community organizations, and, most recently, promotion on social media. The SSA used to provide ENs with beneficiaries' names and addresses on CDs, but stopped because of security concerns. Without those lists, ENs don't know who is eligible in a given geographic area. Recently, the SSA began to provide lists again, in a more secure manner. In January, the SSA provided America Works with the first list in years—after months of requests.

Administrative challenges within the SSA also constrain the ability of ENs to reach more beneficiaries. Response times from the SSA are slow, computer systems for payment go down regularly, paperwork gets lost, etc. The blunt reality is that TTW is a small program within a huge institution whose primary function is to issue benefit checks, not to offer vocational services. Of course, that's why TTW exists, but it also

## The Wages of Success

In 2010, Valerie S.<sup>32</sup> was unemployed and had been on SSDI for more than five years because of a mental-health limitation. She had no permanent home and no real direction to her life when she received a notice in the mail about the TTW program. Valerie had spoken with other ENs and had even assigned a ticket with one but canceled it because it wasn't meeting her needs. But she contacted American Works in New York City.

Valerie found the friendly, customer-first approach of America Works appealing; the staff, she said, were "attentive" and "really listened." When she wanted to give up, they were there to hear her concerns and motivate her, reminding her that she could find a job. "I needed to hear that," she said. America Works worked with her on a plan for employment, guiding her through specific calculations for how much she'd make each year in various jobs.

America Works had a lot of listings for Valerie, matching her skills with the right positions. "They kept me busy, kept me geared toward working; I was going on interviews three times a week." It took her about three months to land a first job in 2010, working in security, and America Works continued its support of her for years. She says that she was particularly impressed with the organization's focus on "putting people in the right place with the right skills."

More than six years later, Valerie remains employed. She now works security in a New York City government agency, earning in excess of \$50,000, not including benefits. She has also passed the city's civil service exam, making her eligible for many classes of jobs with city government. America Works helped prepare her for the exam. Valerie no longer receives SSDI benefits and has offered to serve as a motivational speaker at America Works to encourage others to follow in her path, "to give back to what was so freely given to me."

means that there are few individuals in the SSA with deep knowledge and expertise in the program.

## Is TTW a Success?

Looming over the very real cases where disability beneficiaries use their tickets to reenter the workforce are larger questions. One obvious question: Has the program increased the number of beneficiaries leaving the rolls, compared with those who would have done so even if it did not exist? Unfortunately, that question is difficult to answer.

The 1999 Ticket Act required periodic evaluations, and the SSA contracted Mathematica Policy Research, a nonpartisan research organization, to analyze the program's implementation and effects on employment,



earnings, and the receipt of SSDI benefits. Mathematica's many studies included surveys of nationally representative samples of all beneficiaries and beneficiaries who used Ticket to Work. The organization conducted more than 20,000 beneficiary interviews.<sup>33</sup> Mathematica ultimately concluded that "TTW and related programs are having a limited but positive effect on the employment of Social Security disability beneficiaries and have motivated some beneficiaries to pursue employment."

The evaluation found that while relatively few beneficiaries are taking part in the program, those who take advantage of its services had better outcomes and were more likely to leave benefits than those who did not.<sup>34</sup>

Yet the picture is complicated. After the 2008 reforms, both the number of participating ENs and SSDI beneficiaries increased. However, the percentage of participants forgoing benefits for work actually declined, and earnings after the reforms were lower. It is unclear how much of that decline reflects the effects of an exceptionally punishing recession versus an increase in participants with a lower chance of forgoing benefits for work.<sup>35</sup> Mathematica found that it was not possible to disentangle the impacts of the regulatory changes from the impacts of the recession and other external factors. It concluded that the recession likely contributed substantially to the decline in these statistics. It could not determine how those participants would have fared in the absence of the recession.<sup>36</sup>

While Mathematica's assessment found some impact on beneficiaries' use of employment services, was it enough to justify the SSA's investment in TTW? The Congressional Budget Office (CBO) forecast in 1999 that 7% of beneficiaries would assign tickets to a new EN, meaning that more than 840,000 beneficiaries would assign tickets and the number of beneficiaries exiting cash benefits because of work annually would double, from the pre-TTW level of approximately 70,000. Mathematica found that while participation did increase, particularly after the reforms, it has not come close to reaching the figures in the CBO estimate.<sup>37</sup>

"The challenge of evaluating TTW," the author of one Mathematica report explains, "has always been that it was likely to affect a relatively small number of beneficiaries and the effects can take years to materialize. The small numbers reflect the inherent paradox of TTW: it is a return to work program targeted to people who have convincingly demonstrated to SSA that they cannot work. If we saw large exit rates under TTW, it would call into question SSA's eligibility determination process. So, it was always going to be the case that only a small percentage of beneficiaries were likely to pursue employment successfully through TTW."<sup>38</sup> Without struc-

tural reforms to the SSDI program, this will remain a challenge in assessing the future of TTW.

## Program Self-Sufficiency

In 2009, TTW's operational costs were \$32 million, and payments to ENs were \$14 million. In order for TTW to be self-financing, SSDI beneficiaries leaving the rolls would need to consist primarily of individuals who would not have done so otherwise. Mathematica concluded that it would only require a net annual increase in beneficiary exits of 2,000–3,000 (more than 90% of them people who would not otherwise have left the rolls) to cover those costs.<sup>39</sup>

That seems easy enough to achieve—and detect. But it isn't: "[F]rom 2002 through 2006," Mathematica explains, "the number of beneficiaries who had an initial exit from cash benefits rose and fell, ranging from 70,000 to over 79,000," and thus "the annual variation could have masked an annual increase of 2,000 to 3,000 exits."

In sum, although the number of beneficiaries exiting the rolls after assigning a ticket is growing, the program is probably not yet sufficient to pay for itself.<sup>40</sup> However, Mathematica concluded that the operational costs increase relatively little with participation increases (up to a point); so a targeted expansion of the program—focusing on beneficiaries who would not otherwise leave cash benefits without assistance—could improve the overall financial success of the program, generating benefits savings without significant additional costs.<sup>41</sup>

## Disability-Insurance Policy Reforms and the Future of Ticket to Work

The success, as well as the future, of the TTW program is best considered in the context of the larger financial challenges facing the SSDI system. Many policy reforms have been proposed to bring SSDI into long-term solvency, and while none of them *directly* addresses Ticket to Work, they could amplify the performance of the program:

### **Employer Engagement**

Employers have an incentive to encourage an employee to apply for SSDI rather than making accommodations for that worker. One proposal to shift this incentive is

to institute employer-paid disability insurance (that is, separate from the federal payroll tax that funds SSDI) modeled on the unemployment insurance and workers'-compensation programs benefits that are universally provided to workers who participate in the labor market. This would shift some of SSDI's costs onto private employers and workers.<sup>42</sup> Because firms would pay premiums based on prior claims, this scheme could increase firms' incentives to keep workers employed.<sup>43</sup> This could induce employers to accommodate workers and so discourage them from leaving when they encounter a disability. But it may also encourage employers *not* to hire disabled workers (or individuals who are more likely to become disabled) and may punish certain industries that are more likely to have disabled workers (i.e., those requiring more physical work).

### **Early Workforce Intervention**

"The key to reducing disability insurance costs," write Liebman and Smalligan, "is to intervene as early as possible to assist individuals in remaining at work."<sup>44</sup> They propose screening disability applicants to target support to those who appear likely to be eligible for disability but who also appear to have the potential for significant work activity. These applicants could be offered services, including work and health interventions and even a wage subsidy similar to the earned-income tax credit, in exchange for not enrolling in SSDI. Efforts could also target workforce support to all individuals with mental illnesses who meet certain criteria.

Autor and Duggan argue that the SSDI process undermines the work capability of individuals with disabilities by barring work during the application process and requiring an extended period of nonemployment while eligibility is determined. Even if individuals are denied, they are at a disadvantage trying to seek work again after being out of the workforce for months or even years. At that point, "their readiness and enthusiasm for reentering the labor market are likely to have severely eroded. The best chance for assisting these individuals to remain in the labor force will likely have passed several years earlier."<sup>45</sup>

These types of employment services and support could be provided through the TTW program, aimed not at SSDI beneficiaries but at individuals who have been identified as work-capable *before* they enter the rolls. They could receive very similar services to the ones that TTW participants receive through ENs.

### **Benefits Reductions**

Other reforms would change how benefits are calculated and awarded. For example, the Heritage Foundation suggests a flat benefit linked to the poverty level rather than the current system, which provides benefits based on past earnings. Heritage suggests that a flat benefit is more progressive because higher earners would no longer get higher benefits and that they are more likely to have savings or private disability insurance to supplement their incomes. The foundation calculates that such a flat benefit (based on 2015 figures) for new SSDI awards would reduce SSDI costs by \$168 billion, or two-thirds of SSDI's expected \$256 billion shortfall over the next decade.<sup>46</sup> Its proposal includes an accompanying reduction in payroll tax to help offset costs for individuals needing to buy private coverage to supplement changes in benefits.

Benefit-offset programs have also been proposed in various forms. SSDI beneficiaries who work would see their benefits reduced proportionally but not dollar-for-dollar, so their total income would rise. Beneficiaries could be assured that they would receive full SSDI benefits in the event that they become unemployed. This would reduce the disincentive to stay out of the workforce.<sup>47</sup>

In January 2005, the Norwegian government introduced such a program: disability-insurance benefits were reduced by approximately \$0.60 for every \$1 in earnings that they accumulated above its SGA threshold. After three years, it increased the work participation of beneficiaries between the ages of 18 and 49 by 8.5%, compared with 3.4% of the control group. The government found that workers over 50 did not respond to the program, indicating that targeted policies may be most effective.<sup>48</sup> The Bipartisan Budget Act of 2015 called for a piloting of a benefit-offset program such that benefits are reduced \$1 for each \$2 earned.

### **Changing the Definition of Disability**

Some proposals would change the structure of SSDI to account for different degrees of disability, rather than a one-size-fits-all approach that leads to an open-ended commitment of benefits. "Varying payments based on degree of disability in a manner similar to the Veterans Disability system," according to the National Center for Policy Analysis, "could be the greatest cost saving measure for the SSDI, possibly saving the program over \$12 billion a year."<sup>49</sup>

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Along these lines is a proposal that all future initial awards should be temporary and that some could also be partial, highlighting the fact that there are varying levels of work capacity among disability recipients and thus different standards ought to apply.<sup>50</sup>

The Department of Health and Human Services noted that “research consistently demonstrates that, with the right supports, 40%–60% of people with serious mental illness (SMI) can work.”<sup>51</sup> In addition, many other conditions are treatable, such as cancer, and could warrant temporary status that is reviewed at predetermined intervals. Reforms can limit those eligible for permanent benefits to certain (more stringent) categories of disability; and the remainder would receive temporary benefits.

The SSA could define certain categories of disability as those that must be reassessed according to schedules based on the treatability of the disability and reflecting changing job conditions for those disabilities. Those that are reassessed could be directed to look for work. Again, this underscores the importance of programs like TTW, which tailor employment services to individuals’ professional goals, and could feature employment support based on such varying degrees of disability.

**Enhanced Administrative Capacity at the SSA** Administrative support may seem minor, but its effect can be large. Winship notes the roughly 900,000-case backlog of the continuing disability reviews (reassessments) as a significant opportunity for savings. The SSA estimated that \$9 is saved over 10 years for every \$1 spent on these reviews. The CBO estimated that increasing the SSA budget for program integrity by \$4 billion over 10 years would save \$12 billion over the same period in reduced SSDI, SSI, Medicare, and Medicaid benefits.<sup>52</sup>

## SSDI Policy Reform and Ticket to Work

The reforms discussed above would enhance the overall efficiency of the SSDI system; they would also support the effectiveness and impact of the Ticket to Work program. Employer engagement and early workforce intervention reforms both attempt to keep workers in jobs from the start, reducing the number of people who go on disability. But were they coupled with employment services, possibly via an expanded TTW program, as suggested in some of the proposals, they could amplify the effect. Similarly, benefit-offset programs would be enhanced by offering employment services to benefi-

ciaries; in this case, the reform changes the cost-benefit calculations that beneficiaries are considering as they determine whether and how much to work.

“The Social Security definition of disability may have been suitable five decades ago,” write Autor and Duggan, “when a substantial fraction of jobs involved strenuous physical activity, assistive technologies were limited and crude, and medical interventions rarely significantly prolonged life or improved its quality. But today, individuals with work-limiting disabilities often can participate in the labor force and maintain economic self-sufficiency if given appropriate support.”<sup>53</sup> These reforms can also be complementary to an expansion of TTW.

If certain individuals were determined to be eligible for only partial benefits or temporary benefits, they could be encouraged or, perhaps, mandated, to engage in employment during their term of benefits or following a defined term of benefits. ENs that provide workforce assistance would be set up to take on these new clients.

If all benefits were considered temporary at first, with an expectation that gainful employment was a long-term outcome, then a significant expansion of workforce development programs, like TTW, would be required. If individuals knew that the benefits would run out at a certain point, they would likely be highly motivated to partake of services that would help them achieve gainful employment.

Any efforts to enhance administrative capacity at the SSA would benefit the TTW program. In our case study, America Works indicated that the agency itself is a significant impediment to its own expansion of the program. ENs that contract with the SSA would likely welcome any changes that would serve to increase the efficiency of the operations of TTW and SSDI. This could improve and expand the TTW program, even without any other legislative reforms.

Bowes and Cove conclude, from the perspective of an EN deeply engaged in the TTW program, that the program should be continued and, in fact, expanded by Congress and the SSA to expand its reach and impact. Having been personally involved in the efforts in the 1990s bringing about welfare-to-work reform, which added work requirements for welfare beneficiaries, Bowes and Cove are optimistic that substantial SSDI reform could ultimately go the same way.

# The Future of Ticket to Work

The Ticket to Work program appears to have had a minor yet positive impact in terms of helping people to exit SSDI and relieve pressure on the SSDI Trust Fund. Still, assessing the program's impact and effectiveness remains difficult. TTW is small compared with the massive size of SSDI, and the program began to expand in the teeth of the 2008 recession.

However, because the program's expenses are tiny in comparison with the SSA total budget (TTW expenses of \$237 million in 2015<sup>54</sup> versus SSA expenses of \$11.99 billion in FY2015),<sup>55</sup> there is scant reason to end the program, especially as it appears feasible for the program to be self-supporting (if it is not already).

Based on our reading of the relevant research, Congress ought to prioritize SSDI reforms that are oriented toward getting more people to work. Such reforms lend themselves to expansions under TTW, where ENs like America Works stand ready to accommodate an increase in program participants. We would recommend

versions of reforms such as: employment engagement; early intervention with workforce support; temporary and varying benefits dependent on different disabilities; part-time benefits coupled with work programs; mandatory work requirements after temporary benefit terms or continuing disability reviews; and certainly, enhanced administrative capacity and funding at the SSA.

WHILE TICKET TO WORK IS TOO SMALL TO HAVE A SIGNIFICANT IMPACT ON THE SSDI TRUST FUND, IT COULD HAVE A LARGER IMPACT IF THE DISABILITY-INSURANCE SYSTEM IS REFORMED.

In sum, while Ticket to Work is too small to have a significant impact on the SSDI Trust Fund, it could have a larger impact if the disability-insurance system is reformed. Even without such reforms, however, the program still advances an important goal—that of enhancing the dignity and self-worth of disabled men and women who want to achieve self-sufficiency through productive work.

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## Abstract

The Ticket to Work Program provides men and women on federal disability with a “ticket” or voucher that they can use to obtain free vocational rehabilitation and employment services (including career counseling, job placement, and ongoing employment support). The goal is to help people find self-supporting jobs, leave the disability rolls, and relieve financial pressure on the Social Security Disability Insurance (SSDI) Trust Fund.

This report follows the experience of America Works—one of hundreds of employment networks that participate in Ticket to Work—as a way of examining the program’s successes and shortcomings. When Ticket to Work launched in 2004, most private employment networks, including America Works, declined to participate, because the payment structure was insufficient to support the work they would need to do. After the federal government enacted significant reforms in 2008, participation by private service providers rose significantly. America Works was one of them.

Is Ticket to Work a success? An assessment by Mathematica Policy Research found that the program has a positive, if limited, effect in helping men and women on disability to reenter the workforce. The number of beneficiaries exiting the rolls after assigning a ticket is growing, but as the overall participation rate remains low, the program at present probably does not pay for itself.

To understand why this is so, and what can be done to increase participation—and more broadly, what might be done to increase the number of beneficiaries who can leave the disability rolls—this report looks at potential reforms that can help the disability-insurance system achieve long-term solvency. While none of the reforms this report examines directly addresses Ticket to Work, many of them could amplify the positive impact of the program.