



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 11, 2021

To: Andrew Saul
Commissioner

From: Gail S. Ennis
Inspector General

Subject: The Social Security Administration's Demonstration Projects (A-04-19-50881)

The attached final report represents the results of the Office of Audit's review. The objective was to review six demonstration projects the Social Security Administration (SSA) has conducted since 2010 under section 234 of the *Social Security Act* to (1) summarize information on the demonstration projects' work rules tested and/or services offered, costs, savings, and participant use of incentives and/or services; (2) report any resulting changes that affected SSA's policy or program; and (3) determine whether SSA reported project results to Congress.

If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit, at 410-965-9700.

Gail S. Ennis

cc: Trae Sommer
Attachment

The Social Security Administration’s Demonstration Projects (A-04-19-50881)

The Social Security Administration (SSA) administers the Disability Insurance (DI) program for individuals who no longer work because of functional limitations caused by a physical or mental health condition.¹ Section 234 of the *Social Security Act*² authorizes SSA to conduct demonstration projects to test changes to the DI program that may encourage disabled beneficiaries to work and reduce their reliance on SSA benefits. The *Ticket to Work and Work Incentives Improvement Act of 1999*³ and the *Bipartisan Budget Act of 2015*⁴ also mandated SSA carry out demonstration projects to test specific work rules.

Since 2010, SSA has conducted six demonstration projects under section 234—four are complete,⁵ and two were ongoing as of April 2021.⁶ We reviewed those projects to

1. summarize information on the demonstration projects’ work rules tested and/or services offered, costs, savings, and participant use of incentives and/or services;
2. report any resulting changes that affected SSA’s policy or program; and
3. determine whether SSA reported project results to Congress.

Appendix 1 provides more detail on each demonstration project’s incentives and/or services, as well as participants, and Appendix 2 outlines our scope and methodology.

As of February 2021, SSA had spent approximately \$313 million to conduct and evaluate the six demonstration projects.⁷ SSA could expend up to an additional \$19.7 million to complete the projects.⁸ To date, none of the demonstration projects has identified any potential savings, as shown in Table 1. Furthermore, SSA determined implementing the tested changes for ABD,

¹ *Social Security Act*, 42 U.S.C. § 423 (govinfo.gov 2018).

² *Social Security Act*, 42 U.S.C. § 434 (govinfo.gov 2019), authorizes DI benefits. 42 U.S.C. § 423 (govinfo.gov 2018). SSA also tests Supplemental Security Income program changes under section 1110. See *Social Security Act*, 42 U.S.C. § 1310 (a)(1) (govinfo.gov 2019).

³ *Ticket to Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170, § 302, 113 Stat. 1860, p. 1902.

⁴ *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74, § 821, 129 Stat. 584, p. 605 (2015). In the *Bipartisan Budget Act*, Congress also extended SSA’s demonstration authority through December 31, 2022.

⁵ Accelerated Benefits Demonstration (ABD), Benefit Offset Pilot Demonstration (BOPD), Mental Health Treatment Study (MHTS), and Youth Transition Demonstration (YTD). BOPD was a pilot for the nationally implemented Benefit Offset National Demonstration (BOND) project.

⁶ BOND and Promoting Opportunities Demonstration (POD). While SSA is also conducting the Ohio Direct Referral Demonstration, we did not include it in our review as SSA started it after our review began.

⁷ This amount includes costs incurred since each project’s inception.

⁸ The \$19.7 million comprises \$15.9 million for BOND and POD and potentially \$3.8 million in indirect costs to close out the contracts for ABD, BOPD, and YTD.

BOND, and YTD⁹ would be a cost, not a savings, to the Trust Fund. Table 1 summarizes the six demonstration projects' incentives offered, contract durations,¹⁰ costs, savings, and participants using the incentives and/or services.

**Table 1: Demonstration Projects SSA Has Conducted Since 2010
(As of February 2021)**

| Project | Incentives Offered | Cost | Savings Identified? | Participants Using Incentives and/or Services |
|-------------------|---|---------------|---------------------|---|
| POD (Ongoing) | Allows beneficiaries to remain eligible for benefits when earning above the Trial Work Period level while offsetting benefits by \$1 for every \$2 in earnings. <i>Contract Duration: 2016 - 2021.</i> | \$34,326,711 | To Be Determined | 1,954 (29 percent) of 6,700 |
| BOND (Ongoing) | Allows beneficiaries to remain eligible for benefits when earning above the substantial gainful activity level while offsetting benefits by \$1 for every \$2 in earnings. Also offered Enhanced benefit counseling. <i>Contract Duration: 2009 - 2022.</i> | 128,847,887 | None | 5,502 (6 percent) of 87,461 |
| YTD | Provided services to help youth beneficiaries' transition from school to work and/or continue their education. <i>Contract Duration: 2006 - 2014.</i> | 45,864,158 | None | 2,318 (84 percent) of 2,756 |
| BOPD | Allowed beneficiaries to remain eligible for benefits when earning above the substantial gainful activity level while offsetting benefits by \$1 for every \$2 in earnings. Results used to design BOND. <i>Contract Duration: 2004 - 2014.</i> | 9,016,800 | None | 217 (24 percent) of 917 |
| MHTS | Provided mental health and employment services to beneficiaries with a primary impairment of schizophrenia or affective disorders. <i>Contract Duration: 2005 - 2011.</i> | 51,501,566 | None | 773 (69 percent) of 1,121 |
| ABD | Provided immediate health benefits to newly entitled beneficiaries to test whether the incentives resulted in improved health and better return to work outcomes. <i>Contract Duration: 2006 - 2011.</i> | 44,255,486 | None | 897 (89 percent) of 1,011 |
| Total | | \$313,812,608 | | |

Source: SSA's Office of Research, Demonstration, and Employment Support.

⁹ SSA used its authority under sections 234 and 1110 of the *Social Security Act* to conduct YTD. SSA provided us a total cost for YTD, which included costs for both DI and Supplemental Security Income.

¹⁰ For each demonstration project, SSA awarded contracts to test and evaluate the specific alternative work rules and/or services.

We also found that, while the demonstration projects' results have not resulted in a direct change in legislation or policy, SSA did use the results to influence the development of legislative proposals in its Fiscal Year 2021 Congressional Justification.¹¹ For example, one legislative proposal, *Enhance Work and Earnings Opportunities for People with Disabilities*, resulted from POD, BOND, and BOPD. SSA's proposal is to replace existing return-to-work programs and earnings rules with a simple system of offsetting DI benefits based on an earnings structure that is administratively efficient. A second proposal, *Improve Supplemental Security Income Youth in Transition to Work*, was informed by lessons from the YTD project. This proposed change promotes greater self-sufficiency for transition-age youth by reforming the treatment of youths' earnings in the Supplemental Security Income program and allows SSA to refer DI beneficiaries and Supplemental Security Income recipients to vocational rehabilitation services. Finally, we reviewed SSA's annual submissions to Congress on the status and results of its demonstration projects and found that SSA had complied with the reporting requirement.¹²

We provided the Agency a draft of this report for comment. Agency comments are included in Appendix 3.

¹¹ Our review focused solely on changes to SSA's legislation and/or policies. Reviewing external agencies' legislative proposals and/or policies related to these demonstration projects was outside the scope of our review.

¹² We reviewed the Annual Reports to Congress for years 2010 through 2020.

BACKGROUND

The Social Security Administration (SSA) conducts demonstration projects using its authority under section 234 of the *Social Security Act*,¹ or as mandated by Congress, to test Disability Insurance (DI) program changes.² Since 2010, SSA has begun six demonstration projects to test alternative work rules and/or services for DI beneficiaries. Four have been completed: Accelerated Benefits Demonstration (ABD), Benefit Offset Pilot Demonstration (BOPD), Mental Health Treatment Study (MHTS), and Youth Transition Demonstration (YTD).³ As of April 2021, SSA was still conducting two demonstration projects authorized by section 234: BOND and POD.⁴

Current Disability Insurance Program Rules

To qualify for DI, individuals must have a substantial work history; have a medically determined impairment that has lasted, or is expected to last, at least 12 months or result in death; and be unable to engage in substantial gainful activity because of their medical condition.⁵ Under current rules, DI beneficiaries lose all benefits if they earn more than the monthly substantial gainful activity amount⁶ for a sufficient period, which includes a 9-month trial work period⁷ and

¹ *Social Security Act*, 42 U.S.C. § 434 (govinfo.gov 2019). SSA also tests Supplemental Security Income program changes under Section 1110; see *Social Security Act*, 42 U.S.C. § 1310 (a) (1) (govinfo.gov 2019).

² *Ticket to Work and Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170, § 302, 113 Stat. 1860, p. 1902; *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74, § 823, 129 Stat. 584, p. 605 (2015). Congress mandated that SSA conduct the Benefit Offset National Demonstration (BOND) project as part of the *Ticket to Work and Work Incentives Improvement Act of 1999* and Promoting Opportunities Demonstration (POD) project as part of the *Bipartisan Budget Act of 2015*.

³ SSA used its authority under sections 234 and 1110 of the *Social Security Act* to conduct YTD. *Social Security Act*, 42 U.S.C. §§ 434 and 1310 (govinfo.gov 2019). SSA conducted YTD in Colorado; Florida; Maryland; Bronx and Erie, New York; and West Virginia. While SSA considered each location as its own demonstration project, all locations tested the incentives and/or services offered under YTD.

⁴ While SSA is also conducting the Ohio Direct Referral Demonstration, we did not include it in our review as SSA started it after our review began.

⁵ *Social Security Act*, 42 U.S.C. § 1382c(a)(3)(A) (govinfo.gov 2018). Substantial gainful activity describes a specific level of work activity and earnings. SSA considers work “substantial” if it involves engaging in significant physical or mental activities, or a combination of both. SSA, *POMS*, DI 25501.390, A.1 and A.2 (November 16, 2012).

⁶ SSA, *POMS*, DI 10501.015, B and C (December 31, 2020).

⁷ The trial work period allows SSA to test beneficiaries’ ability to work for at least 9 months. During the trial work period, beneficiaries receive full DI benefits regardless of the amount of their earnings, given they report work activity and have a disabling impairment. SSA, *POMS*, DI 13010.035, A and B (March 9, 2016).

a 3-month grace period.⁸ In 2021, the monthly substantial gainful activity level was defined as \$1,310 for non-blind individuals and \$2,190 for blind individuals.⁹

Demonstration Projects' Alternative Rules and/or Services

Promoting Opportunities Demonstration

POD tests simplified work incentives and a benefit offset in the DI program to determine whether the incentives and offset effects earnings, employment, and benefit payments.

- Control group beneficiaries¹⁰ follow current DI rules.
- Beneficiaries in Treatment Groups 1 and 2¹¹ who have earnings above a certain threshold will have their benefits gradually reduced, which SSA refers to as a “benefit offset.” The offset reduces the monthly DI benefits by \$1 for every \$2 earned above the POD threshold, which is the greater of the (1) current Trial Work Period level¹² (defined as \$940 in 2021)¹³ or (2) amount of a participant’s itemized impairment-related work expenses¹⁴ (but no more than the substantial gainful activity amount).¹⁵
- Both treatment groups’ beneficiaries receive work-incentives counseling.¹⁶ When their monthly benefits are offset to zero, SSA suspends Treatment Group 1’s benefits but terminates benefits for Treatment Group 2 after 12 consecutive months of suspense. This allows Group 1 to begin receiving benefits again if their earnings level drops below the POD threshold amount, but Group 2 would need to re-apply for DI benefits. Treatment Group 2 beneficiaries do qualify for Expedited Reinstatement application rules if benefits terminate because of POD rules.

⁸ SSA, POMS, DI 13010.210 H (January 13, 2010).

⁹ SSA, POMS, DI 10501.015, B and C (December 31, 2020).

¹⁰ There are 3,370 beneficiaries in the control group.

¹¹ There are 6,700 beneficiaries collectively in the 2 Treatment Groups.

¹² During this period, the beneficiary may perform services for remuneration or gain and still be considered disabled. SSA defines “services” as any activity in employment, or self-employment, that is, performed or is normally, performed for pay or profit. SSA cannot cease disability during the Trial Work Period based on a beneficiary’s work activity. SSA, POMS, DI 13010.035, A (February 27, 2020).

¹³ SSA, POMS, DI 13010.060, A (October 31, 2017).

¹⁴ Itemized impairment-related work expenses are the cost of items and services a beneficiary pays out of pocket and he/she needs to work because of his/her impairment. Not all beneficiaries have impairment-related work expenses.

¹⁵ SSA, POMS, DI 10501.015, B and C (December 31, 2020).

¹⁶ This includes help with (1) accessing employment support services to gain work skills, (2) explaining how new POD rules will affect benefits if the individual returns to work, and (3) reporting monthly earnings and impairment-related work expenses to SSA. These services mimic counseling available to beneficiaries under current law.

Benefit Offset National Demonstration

Similar to POD, BOND replaces the abrupt loss of benefits with a \$1-for-\$2 offset but applies it after a beneficiary completes their Trial Work Period and is earning above the substantial gainful activity amount.¹⁷ BOND had two stages for testing.

- Stage 1 examined the effect a national benefit offset provision would have on the DI population as a whole.
 - Control group beneficiaries received benefits according to current rules.
 - SSA offered the Stage 1 Treatment Group participants a \$1-for-\$2 offset and work incentives counseling¹⁸ for 5 years.
 - Our earlier reports on BOND reflected there were 968,713 randomly assigned beneficiaries for Stage 1. Of these, 891,598 (92 percent) were assigned to the Control group and 77,115 (8 percent) to the Treatment Group. However, SSA explained the analysis reports provided to OIG did not include those beneficiaries who had died during the project or had familial relationships.¹⁹ SSA provided revised counts of 79,436 for the Stage 1 Treatment Group.
- Stage 2 informed SSA more about the impact of the benefit offset on those individuals who volunteered to participate in the project.
 - Control group beneficiaries received benefits according to current rules.
 - Treatment Group 1 received the \$1-for-\$2 offset and work incentives counseling for 5 years.
 - Treatment Group 2 received the \$1-for-\$2 offset and enhanced work incentives counseling²⁰ for 5 years.

¹⁷ SSA, *POMS*, DI 10501.015 B and C (December 31, 2020).

¹⁸ Work incentives counseling provided the treatment group participants (1) assistance in explaining SSA disability benefits and work incentives with respect to the BOND project; (2) counseling on healthcare coverage options; and (3) in-depth counseling for those employed, seeking employment, or preparing for employment. This counseling is similar to that received by beneficiaries under current law but tailored to the BOND policy environment.

¹⁹ The original Stage 1 counts provided by SSA were reflected in the following reports: SSA, OIG, *Oversight of the Benefit Offset National Demonstration Project*, A-04-14-14078, pp. 3, 4, B-1, B-2, and C-1 (September 2015) and SSA, OIG, *The Social Security Administration's Programs and Projects that Assist Beneficiaries in Returning to Work*, A-04-18-50600, p. C-2 (November 2018).

²⁰ Enhanced work incentives counseling focused on helping the BOND project participants determine the best employment path and prepare them for employment and job retention. This counseling is more proactive than that beneficiaries received under current law.

- Our earlier reports²¹ on BOND reflected there were 12,744 randomly assigned beneficiaries for Stage 2. Of these, 4,849 (38 percent) were assigned to the control group; 4,854 (38 percent) to Treatment Group 1; and 3,041 (24 percent) to Treatment Group 2.²² However, SSA explained the analysis reports provided to the OIG did not include those beneficiaries who had died during the project or had familial relationships. SSA provided a revised count of 8,025 for the Stage 2 Treatment Groups.²³

Benefit Offset Pilot Demonstration

SSA conducted BOPD to identify any administrative issues that might arise before it implemented BOND.

- Control group²⁴ beneficiaries received benefits according to current rules.
- Treatment group²⁵ beneficiaries were eligible for the \$1 reduction in DI benefits for every \$2 in earnings and work incentives counseling as offered to BOND's Treatment Group 1.

Youth Transition Demonstration

YTD helped youth successfully transition from school to economic self-sufficiency. Treatment group participants received services including individualized work-based experiences, youth empowerment, family support, and benefits counseling.²⁶ SSA's goal for conducting YTD was to improve beneficiary employment, income, and education of youth transitioning from school to work thus decreasing his/her reliance on SSA benefits.

²¹ SSA, OIG, *Oversight of the Benefit Offset National Demonstration Project, A-04-14-14078*, pp. 4, B-2, and C-1 (September 2015) and SSA, OIG, *The Social Security Administration's Programs and Projects that Assist Beneficiaries in Returning to Work, A-04-18-50600*, p. C-3 (November 2018).

²² As in our prior reports, the original count for BOND Treatment Group participants was 85,140. There were 77,115 participants in the Stage 1 Treatment Group and 8,025 in the Stage 2 Treatment Groups (4,936 plus 3,089).

²³ As reflected in Table 1, the current participant count for BOND Treatment Group participants was 87,461: 79,436 participants in the Stage 1 Treatment Group and 8,025 in Stage 2's Treatment Groups.

²⁴ There were 893 beneficiaries in the Control group.

²⁵ There were 917 beneficiaries in the Treatment group.

²⁶ There were 2,756 beneficiaries in the Treatment groups.

Mental Health Treatment Study

MHTS tested whether providing better access to mental health treatment and employment services resulted in medical improvements and/or employment for DI beneficiaries diagnosed with a primary impairment of schizophrenia or affective disorder. Treatment group participants²⁷ received systematic medication management, services of a nurse-care coordinator to coordinate their physical and mental health therapies, and services of a supported employment specialist trained to assist individuals with mental disabilities to obtain employment. SSA's goal was to determine whether providing better access to mental health and employment services would affect employment rates and earnings, overall mental and physical health status, and overall improvement for quality of life.

Accelerated Benefits Demonstration

Under current law, when SSA approves a beneficiary for DI benefits, he/she must wait 24 months to receive health care coverage under Medicare. SSA's goal for conducting ABD was to determine whether eliminating the 24-month waiting period for health care benefits would improve the beneficiary's medical conditions, thus increasing the likelihood they will return to work and reduce reliance of DI benefits. Treatment group participants²⁸ received their normal monthly DI cash benefits and health benefits paid by SSA without the 24-month waiting period.²⁹

²⁷ There were 1,121 beneficiaries in the Treatment group.

²⁸ Treatment Groups 1 and 2, respectively, had 400 and 611 beneficiaries.

²⁹ Treatment Group 2 was offered assistance in developing and achieving employment goals.

SCOPE AND METHODOLOGY

From 2010 through 2021, SSA conducted six demonstration projects: the Accelerated Benefits Demonstration (ABD), Benefit Offset National Demonstration (BOND), Benefit Offset Pilot Demonstration (BOPD),¹ Mental Health Treatment Study (MHTS), Promoting Opportunities Demonstration (POD), and Youth Transition Demonstration (YTD).² These demonstration projects tested Disability Insurance program changes under section 234 of the *Social Security Act* or as mandated by Congress.³ As of April 2021, BOND and POD were ongoing projects.⁴

For our review, we performed the following.

- Reviewed section 234 of the *Social Security Act, Ticket to Work and Work Incentives Improvement Act of 1999*, and *Bipartisan Budget Act of 2015*.⁵
- Reviewed applicable sections of SSA's *Program Operations Manual System* for BOND, BOPD, and POD.⁶
- Obtained from SSA, its annual reports to Congress and section 234 demonstration projects' costs, savings, and number of beneficiaries that used incentives offered for five (four completed and one ongoing) projects.⁷ All projects' participant counts and costs were as of February 2021.

¹ BOPD was designed to test the administrative processes of the planned benefit offset, before conducting a large nationally representative demonstration, known as BOND.

² SSA used its authority under sections 234 and 1110 of the *Social Security Act* to conduct YTD. *Social Security Act*, 42 U.S.C. §§ 434 and 1310 (govinfo.gov 2019). SSA conducted YTD in Colorado; Florida; Maryland; Bronx and Erie, New York; and West Virginia. While SSA considered each location as its own demonstration project, all locations tested the incentives and/or services offered under YTD.

³ *Social Security Act*, 42 U.S.C. § 434 (govinfo.gov 2019). SSA also tests Supplemental Security Income program changes under section 1110; see *Social Security Act*, 42 U.S.C. § 1310 (a) (1) (govinfo.gov 2019). *Ticket to Work and Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170, § 302, 113 Stat. 1860, p. 1902; *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74, § 823, 129 Stat. 584, p. 605 (2015).

⁴ While SSA is also conducting the Ohio Direct Referral Demonstration, we did not include it in our review as SSA started it after our review began.

⁵ *Social Security Act*, 42 U.S.C. § 434 (govinfo.gov 2019); *Ticket to Work and Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170, § 302, 113 Stat. 1860, p. 1902; *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74, § 821, 129 Stat. 584, p. 605 (2015).

⁶ We did not identify any sections of SSA's *Program Operations Manual System* related to ABD, MHTS, or YTD, as these are no longer active.

⁷ The five demonstration projects referenced are ABD, BOND, BOPD, MHTS, and YTD. POD is ongoing, and SSA does not have savings information.

- Summarized six demonstration contracts' overall costs, savings, and number of beneficiaries who used incentives offered for the demonstrations and determined whether SSA recommended legislative and/or policy changes based on demonstration project results.
- Reviewed the following OIG reports related to the demonstration projects.
 - *The Social Security Administration's Oversight of MDRC Contract No. SS00-06-60075, A-15-08-18010* (December 2008).
 - *Contract for the Benefit Offset National Demonstration Project with Abt Associates, Incorporated, A-05-08-18041* (March 2009).
 - *Contract with Mathematica Policy Research, Inc., for Services to Evaluate Youth Transition Demonstration Projects, A-06-09-19061* (December 2009).
 - *Westat Contract Close Out on Contract Number SS00-05-60072, A-15-12-22118* (June 2013).
 - *MDRC Contract Close Out on Contract Number SS00-06-6007, A-15-13-13101* (April 2014).
 - *Oversight of the Benefit Offset National Demonstration, A-04-14-14078* (September 2015).
 - *The Social Security Administration's Programs and Projects that Assist Beneficiaries in Returning to Work, A-04-18-50600* (November 2018).
- Obtained and reviewed contractor final reports submitted to SSA for ABD, BOPD, BOND,⁸ MHTS, and YTD.⁹
- Obtained and reviewed Government Accountability Office and Social Security Advisory Board reports related to demonstration projects under our review.

We conducted our audit from October 2019 through April 2021 in Atlanta, Georgia. We conducted our review in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

⁸ The contractor for BOND issued the final report in 2018, which was the end of the original contracted period. SSA since has extended the contract through 2022 to continue counseling services.

⁹ At the time of our review, POD was ongoing and there was no final report.

We assessed the significance of internal controls necessary to satisfy the audit objective. We determined that internal controls were not significant to the audit objective; therefore, we did not assess the design, implementation, or operating effectiveness of internal controls. The principal entity audited was SSA's Office of Research, Demonstration, and Employment Support under the Office of the Deputy Commissioner for Retirement and Disability Policy.

AGENCY COMMENTS



SOCIAL SECURITY

Office of the Commissioner

MEMORANDUM

Date: May 24, 2021 Refer To: TQA-1

To: Gail S. Ennis
Inspector General

A handwritten signature in blue ink that reads "Scott Frey".

From: Scott Frey
Chief of Staff

Subject: Office of the Inspector General Draft Report "The Social Security Administration's Demonstration Projects" (A-04-19-50881) -- INFORMATION

Thank you for the opportunity to review the draft report. We appreciate that OIG found we conducted and evaluated the projects in accordance with the requirements of our demonstration authority.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.