

**Committee on Ways and Means
Subcommittee on Social Security
Responses to Questions for the Record**

David C. Stapleton

- 1. You refer to the Government Accountability Office’s (GAO’s) findings regarding disability program fragmentation where Federal and State programs often overlap and have misaligned incentives and conflicting objectives. In other papers you have written, you propose that tight resources can be better coordinated by giving block grants to the States and asking them to manage some elements of the disability program. It appears that you are saying that the States can provide better supports, more efficiently, to individuals who become disabled. Do you still support this idea and if so, how could it be done?**

Summary

The proposal you refer to suggested a comprehensive restructuring of the support system for working-age people with disabilities—not just Social Security Disability Insurance, but the entire maze of Federal and State programs serving this population. Under the proposed restructuring, States or other local entities would take on more responsibility for delivering support, but this does not necessarily imply block grants to the States. We think the proposed plan has many merits and deserves careful consideration, but our immediate purpose for developing and releasing it was to stimulate discussion of how to comprehensively address the issues this committee and others have raised. That discussion needs to start immediately. Congress, researchers, and advocates need to look hard at the current situation and the full range of changes we could make to help people with disabilities achieve their potential and reduce growth in expenditures for their support. That discussion can identify changes that are likely to garner broad enough support from taxpayers and the disability community to offer a chance of real change.

The immediate goal for Congress should be to stimulate more serious consideration and testing of bold restructuring of the nation’s disability policies and programs. There are important reasons—both logical and empirical—to think that such changes could help working-age people with

disabilities lead more fulfilling and productive lives while slowing growth in public expenditures for their support. But fragmentation in responsibilities for current policies and programs is such that we fail to seriously consider, develop, and test what appear to be the best options for reform—options that cut across agencies and levels of government. If Congress does nothing today, in 10 years the problems of poor economic outcomes for working-age people with disabilities, high public expenditures, and not enough evidence to restructure disability programs responsibly will persist. Disability policy reform is imperative, but it cannot go forward unless legislation creates an infrastructure for developing the needed evidence base.

In the remainder of my response, I offer concrete details and ideas to achieve this goal. Reasonable people may disagree about the details, but that does not detract from the fundamental point: legislation is needed to jump-start the process of improving disability policy for working-age Americans.

Detailed Response

The approach to disability policy that David Mann and I have written about encompasses a set of options that is broader than block grants to States. Fundamentally, it recognizes that an efficient system must be able to tailor supports to the widely heterogeneous characteristics and circumstances of people with disabilities. To achieve that end, it integrates eligibility determinations and support delivery into a local system led by an entity—a “Disability Support Administrator,” or DSA—held accountable for outcomes, including costs.

DSAs would have responsibility for administering all benefits for well-defined populations of people with disabilities, with financing via Federal and State grants rather than open-ended entitlements. The DSA could be a State, a locality, a private entity, or a coalition of entities. The managing entity could vary by State or even by locality. DSAs would have responsibility for assessing the capabilities of an applicant and designing and delivering supports tailored to the individual’s impairment and circumstances. They would also oversee outreach to the target population, employers, and the general public.

To hold DSAs accountable, the Federal Government would establish national eligibility criteria, adjudicate appeals, monitor and report key outcomes, and encourage continual program innovation. It would also implement an important system to obtain continuous and timely feedback from the

target population, perhaps facilitated by local consumer advisory boards under the umbrella of a national board.

With regard to your question on block grants, some States might perform well as DSAs under block grants, but there are many reasons to think that not all would. Some of those reasons stem from what has happened under welfare reform, particularly since the recent recession. We are especially concerned that, over time, DSAs' funding or management would become inadequate because of competing priorities. These concerns could be addressed through strong Federal oversight, but establishing effective oversight will be a significant challenge.

Our approach has clear advantages, but it has not been tested, and we would risk great harm to the target population, as well as to Federal and State budgets, should we move forward without appropriate tests to produce the evidence needed for decision making. Current law does not support or even allow such tests. Congress would need to pass legislation to facilitate demonstration of this model. Appropriate legislation could lead to many tests, including tests of designs that we have not yet imagined. Some of them—perhaps most—will not produce the desired results. But a few very likely will succeed, and these could become the basis for national reform.

It is important for Congress to recognize the economic, institutional, and political challenges that must be addressed to successfully integrate programs and re-align incentives. These challenges extend well beyond the jurisdiction of your subcommittee and are likely to include the following:

- Developing a financing and delivery structure that encourages, rather than discourages, multiple Federal and State agencies to serve a common population, pursuing common objectives, cooperatively.
- Protecting this financing and delivery structure from the vicissitudes of the economy and the political process.
- Creating a conceptual definition for eligibility, other than long-term inability to work.
- Defining system objectives and explaining what economic success for the target population means.
- Overhauling the process for determining eligibility and the supports to be provided—considering work potential first and integrating the eligibility process with the service delivery process.

- Increasing supports that are rarely used today (for example, partial benefits) and decreasing use of cash and health benefits alone.
- Integrating with health benefits under the Affordable Care Act (ACA).
- Using Social Security and Medicare Trust Fund revenues for a purpose that is not envisioned in current law: to help workers succeed in the labor force rather than enter these programs.
- According greater responsibilities to State agencies and the private sector, with stronger oversight from the Federal Government to protect beneficiaries and limit expenditure growth.
- Developing protections for those accustomed to relying on the current support system.

Congress needs to weigh the difficulties of policy options that would address all or many of these challenges against each option's potential merits. Pilot demonstrations are needed to assess the system's merits and develop information to address the various challenges under a national program. Exhibit 1 illustrates a DSA demonstration for a restructured system that could not be implemented without overcoming these challenges, but that also appears to have many merits. In this example, the pilot DSA is a State agency, but private organizations, county or municipal governments, or public-private partnerships, perhaps with a private disability or workers' compensation insurer playing a role, could also lead variants of this model.

At a minimum, implementation of the pilot DSA described in Exhibit 1 would require collaboration between the State's Disability Determination Service (DDS), vocational rehabilitation (VR) agency, Medicaid agency, and mental health agency. It would also be desirable to involve the State's workforce development, workers' compensation, family assistance, housing, food assistance, and other agencies serving some working-age people with disabilities, along with relevant local agencies in the demonstration areas. The pilot envisions a financing system in which funds to support the target population are rerouted from multiple Federal and State sources, including the SSDI and Medicare Trust Funds.

The design for this pilot has many attractive features (listed below) that, while untested, seem likely to substantially improve the economic status of the target population and lessen the growth in expenditures for their support, with low risk to both the well-being of the target population and government expenditures. A pilot test of whether such outcomes could be achieved seems worthwhile, despite issues to be overcome to implement a national program. A well-designed pilot

test, or series of tests, would also provide information about how best to address implementation challenges.

Attractive features of this pilot include:

- It integrates financing and aligns incentives for achieving greater economic success for the target population at lower cost to the government. The structure encourages collaboration between the public entities involved, and between these entities and the private sector.
- It fully protects current beneficiaries and could potentially be expanded to support their return-to-work efforts.
- It continues to make Social Security Disability (SSD) and Supplemental Security Income (SSI) available for those who qualify under current rules, if they are not satisfied with alternatives DSAs offer.
- It is structured in a manner that will not increase growth in Federal or State program costs in the short term and yields lower growth in the long term, as success builds. If State agencies simply continue to do what they do now and do not take advantage of the new structure, costs and outcomes for individuals would not change.
- It ensures that DSAs have funding and performance incentives to help the target population achieve greater economic success.
- It achieves efficiency in disability determinations by (1) consolidating initial responsibility at the State level; (2) eliminating the Social Security Administration's (SSA's) costly and time-consuming reviews of DDS allowances (pre-effectuation reviews); and (3) reducing appeals to the Office of Hearings and Appeals.
- It encourages DSAs to make decisions quickly, because applicants awaiting a decision, rather than making progress toward greater economic success or receiving SSD/SSI benefits, will impact performance measures negatively. Simplifying initial eligibility criteria and eliminating pre-effectuation reviews will accelerate delivery of supports and allow DSAs to allocate a greater share of resources to supports.
- As success is achieved, the pilot can be scaled up and potentially expanded to help those already receiving SSD or SSI benefits.

I am not recommending legislation that would require developing and implementing this specific pilot. My recommendation is broader: to pass legislation that encourages further consideration,

development, and testing of major structural changes to the disability support system. Right now, that development process is stymied by the challenges described above, and Congress needs to create an infrastructure that would support development and testing of changes.

Exhibit 1. Outline for a Disability Support Integration Pilot

<p>Target Population</p> <ul style="list-style-type: none"> • Working-age people with significant long-term medical conditions or impairments who are not yet receiving SSD or SSI benefits. SSD includes disabled workers as well as disabled adult children and disabled widow(er)s.
<p>Objective</p> <ul style="list-style-type: none"> • Improve the economic well-being of the target population and reduce entry into SSD and SSI.
<p>Location</p> <ul style="list-style-type: none"> • Initially, perhaps a single county or municipality in a State, expanded to others as knowledge is gained. It will be critical to test the approach in multiple local environments.
<p>Financing</p> <ul style="list-style-type: none"> • Significant Federal funds would have to be allocated to the pilot demonstration, with matching funds provided by the State. The annual funding level should be determined by rules designed to reflect how current Federal and State funds would be reallocated under a national program. The pilot offers an opportunity to develop and test these rules. Congress could appropriate funds for the pilot demonstration without actually rerouting the funds from their anticipated sources. Funds to support development and evaluation of the pilot would also be necessary—potentially from the research budgets of the relevant agencies or from a separate appropriation. • SSA funding would initially equal projected benefits to new SSD and SSI awardees from the county or counties over a multi-year period, plus a commensurate amount for DDS services. Over time, the SSA funding would be ratcheted down toward a target that is less than the projected benefit payments to new awardees (e.g., 95 percent). • Funding from the Centers for Medicare & Medicaid Services would be based on projected Medicare and Federal Medicaid expenditures for the target population. Those in the target population who do not enter SSD or SSI would have basic health insurance under the ACA rules (potentially subsidized), unless the State obtains a suitable waiver for the pilot. A reinsurance mechanism would be needed so that DSA operations—and hence the entire target population—are not at risk from a few extraordinarily high cost cases. • Federal VR funding for the target population would similarly be commensurate with current funding. • To the extent that services currently delivered to the target population by other federally funded programs become the responsibility of the DSA, Federal funding for the pilot should include an amount commensurate with the current level of support. • The State’s contribution to the pilot would be commensurate with current State support for the target population (for Medicaid, VR, SSI State supplements, and mental health services at a minimum).
<p>Service System</p> <ul style="list-style-type: none"> • The State would create a DSA, incorporating all of the agencies listed earlier and potentially other

public or private entities.

- The mission of the DSA would be to improve the target population’s economic and social well-being, within its budget. Toward that end, it would engage in significant community outreach, including outreach to employers, workers’ compensation insurers, and private disability management insurers.
- People in the target population (hence not in SSD or SSI) already served by the State would automatically become the responsibility of the DSA. Others could apply for support through a unified eligibility process.
- People in the target population could apply for SSD or SSI at any time, just as now, but they would apply to the DSA, instead of to an SSA field office. SSA’s central office would be required to quickly determine nonmedical eligibility for SSD and the potential SSD benefit amount. Determination of non-medical eligibility for SSI, and the SSI benefit amount, would be the responsibility of the DSA. The DSA could make an allowance, not subject to SSA review. All SSD, SSI, Medicare, and Medicaid benefits paid on behalf of those allowed would be paid from the DSA’s budget, up to a ceiling equal to the size of the Federal and State contributions to the budgets.
- The initial disability determination process could incorporate an up-front assessment of what the applicant needs in order to achieve greater economic success, and the DSA could choose to provide those services.
- The DSA would offer a wide array of consolidated supports to the target population, including cash benefits, allowances for various purposes, counseling/navigation services, and in-kind support. The DSA would have the resources to intervene early—to help those in the target population work or return to work when they first enter the target population—as well as an incentive to do so. It would seek to strike a more efficient balance between expenditures for SSD, SSI, Medicare, or Medicaid on the one hand, and those for a range of supports and services (e.g., employment supports, partial benefits, care coordination services, personal assistance, assistive devices) that the target population might find more beneficial, on the other.

National Standards, Monitoring, Oversight, and Evaluation

- The pilot would incorporate a simplified set of minimum eligibility criteria—intended to identify those who, in the absence of the supports offered by the DSA, face significant, long-term challenges to self-support. The pilot would support the design of minimum eligibility criteria under a national program.
- Those denied SSD or SSI by the DSA and not satisfied with available alternative supports could appeal to SSA’s Office of Hearings and Appeals, just as they can now under current eligibility criteria; one difference is that the DSA would be represented in the appeals process. If allowed on appeal, the new beneficiary’s SSI, SSD, Medicare, or Medicaid benefits would all be paid from the DSA’s budget.
- A Federal oversight body would ensure that the economic well-being and health of the target population are improving rather than deteriorating.
- The pilot would have a rigorous system to monitor the economic well-being and health of the target population. This system could rely heavily on program administrative records, but would also need to collect some information on those not being served by the DSA. Experience gained under the pilot system would provide important information for the development of a national system.
- The pilot would include a rigorous evaluation system and a feedback process to support continuous improvement. Evaluation findings would provide critical information to policymakers and all those seeking to implement a DSA system at the national level.

2. Some support reallocating the payroll tax to address the disability insurance financing shortfall in the near term, and saving significant reform efforts for later. What’s your reaction to this approach?

I agree with this approach, with an important caveat. My understanding is that this question refers to increasing the share of the Social Security payroll tax that is allocated to the Disability Insurance Trust Fund, with an off-setting reduction for the Old-Age and Survivors Insurance Trust Fund. Reallocation of the payroll tax would be a reasonable stop-gap measure, but I think it would be a mistake to proceed with that or other short-term fixes—including benefit reductions or tightening of eligibility—without simultaneously launching an effort that could lead to significant reform in the future. It requires time to build the evidence base that future Congresses will need to support significant reforms.

3. GAO’s report concludes that assistive devices and workplace accommodations can play a critical role in an individual’s ability to function in the work environment. What are your views about these findings and how they might affect eligibility for disability benefits?

GAO’s conclusions are correct. The implications for eligibility determination are considerable. Given our current “inability to work” approach to determining eligibility, it is problematic to include consideration of these issues in the determination process, just as it is problematic to include consideration of health care services. The government would be denying benefits on the basis of services or supports that would allow the applicant to work, but that are not necessarily available. Various technologies and accommodations (e.g., a scooter, special computer software or hardware, a job coach, or a modification to an employer’s work space) might allow applicants to work despite a significant impairment, but if these technologies and accommodations are not available to them, denial of benefits might well leave them in dire economic straits. It would be much simpler to incorporate these supports into a system that considers work capacity first, engages with the employer, and provides subsidies for assistive devices, workplace accommodations, or other supports designed to enable work. Workers’ compensation and private disability insurers do this now.

4. If Congress were to authorize a pilot activity to get better data as part of disability reform, what would be the design elements that the pilot or pilots should be testing?

There are many design elements that have considerable merit but are untested. It is important to establish a demonstration process that is flexible enough to support testing of these elements as well as others that might materialize. Note that no element can be considered in isolation; in general, a pilot would need to package multiple elements in a sensible manner, as the demonstration outlined above does. A demonstration structure that requires and facilitates interagency cooperation and Federal-State cooperation is also critical, as I noted in my testimony and response to question 1.

The following design elements, while not comprehensive, are worth considering:

Program Integration

- Integration of Federal and State funding streams in a manner that improves efficiency and supports the objective of helping the target population achieve economic success with less reliance on Federal and State benefits. This should include use of trust fund revenues in any manner that would reduce costs for current benefits by at least a commensurate amount.
- Integration of eligibility determination and service delivery across Federal and State agencies.
- A full redesign of benefits for youth and young adults with significant impairments or chronic conditions, designed to improve social outcomes for all, and to increase employment success and adult self-sufficiency for some.
- For workers experiencing disability onset, integration of public disability benefits with private health insurance, private disability insurance, and workers' compensation benefits.

Eligibility

- Minimum eligibility criteria for any disability supports, including supports designed to improve economic self-sufficiency.
- An integrated eligibility-determination process that first assesses work capacity and the costs and benefits of providing available supports to increase self-sufficiency.

Benefit Design

- Allowances to offset the costs of disability, available without restrictions on earnings. Enhancements to the availability of counseling might be critical to success, following the Cash and Counseling model that has improved delivery of personal assistance services under Medicaid in many states. This approach to support could potentially replace, in total, the “inability to work” approach underlying SSD and SSI; benefit amounts would need to be substantially restructured to be consistent with the concept and to control costs (including costs from induced entry).
- Temporary benefits, designed to provide assistance during episodic flare-ups of chronic conditions or to facilitate employment reentry following job loss. This approach might be characterized as enhanced unemployment insurance benefits.
- Wage subsidies for those with limited work capacity.
- New and simpler earnings rules for SSD and SSI beneficiaries, including:
 - SSA’s proposed Work Incentive Simplification Pilot.
 - Establishment of a common set of simplified rules for SSD and SSI.
 - Replacement of current rules for SSD and SSI with simpler annual step-down rules (for example, reducing benefits by 25 percent when annual earnings are between 100 and 200 percent of the annual equivalent of substantial gainful activity; by 50 percent for earnings between 200 and 300 percent; etc.).

Private-Sector Engagement

- Incentives for employers to hire or retain workers with significant impairments or chronic conditions. Options here include payroll tax incentives, subsidies for accommodations and disability management services, and reinsurance to limit the costs of employer health benefits for workers with chronically high health care costs.
- A subsidy or payroll tax reduction for private disability insurance premiums offset by a required payment by the private insurer of 100 percent of benefits (typically 60 percent of pre-disability wages) for a waiting period (e.g., 36 months) before the worker is eligible for SSD—after which the insurer’s liability is reduced by the SSD benefit amount (compared to no subsidy and no waiting period under current law).
- A system under which SSA would use administrative data to identify employers or areas with high SSD incidence rates (i.e., those whose disability-insured workers enter SSD at a high rate) and would work with the employer, union, insurers, and/or local authorities to

design and provide seed funds for innovations that reduce SSD entry. These innovations could include targeted changes to the payroll tax rate.

- An experience-rating system for payroll taxes.