



**CONSORTIUM FOR CITIZENS
WITH DISABILITIES**

**Consortium for Citizens with Disabilities (CCD) Social Security Task Force
Proposal for a Benefit Offset in the Social Security Disability Insurance (SSDI)
program:**

The CCD Social Security Task Force developed this proposal in response to a request by Congressional staff to provide information on the design of a benefit offset that the Task Force could support if the income disregard was not set at the Substantial Gainful Activity (SGA) level (SGA is currently \$1,090/month). The Task Force carefully considered different levels for the income disregard threshold when developing this proposal and will oppose the enactment of any benefit offset in the SSDI program with a disregard level below the one contained in this proposal for reasons described below.

The Task Force has long been on record supporting the creation of a benefit offset in the SSDI program to create a ramp off benefits beginning when a beneficiary earns SGA and above to eliminate the work disincentive created by the cash cliff and create a road to economic security and independence. In addition, SSDI beneficiaries must navigate a world of confusing rules with vague timelines and different earnings levels that are nearly impossible for the average working beneficiary to understand. There is over 25 years of experience regarding the effects of an offset on beneficiaries from the SSI program under the Section 1619 program, which Congress made permanent in 1987 following a demonstration period of 7 years. Combined with the results of the 4 state pilots undertaken in the early 2000s in the SSDI program, there is ample evidence that a benefit offset should be enacted in the SSDI program.

The Task Force believes that a benefit offset (and the other corresponding changes to the SSDI program that accompany it) must be designed carefully and should be guided by the following principles:

- **Economic Security:** The economic security of beneficiaries with disabilities should be the paramount consideration in the creation of a benefit offset. Benefit offset proposals that lack key elements – such as continued attachment to SSDI and Medicare – or that set the earnings disregard threshold lower than the Trial Work Level could significantly erode the financial security of SSDI beneficiaries and their families. If achieving cost savings or cost neutrality becomes a major driver of a benefit offset proposal, the unintended consequences for current and potential beneficiaries could be severe.
- **Work incentive:** The income disregard level and threshold at which the offset begins must be set at a level that creates an incentive to work. A benefit offset with an income disregard set too low is likely to be a work disincentive. Setting the offset to start at too low a level would create an effective 50% tax rate for beneficiaries

with earnings between the new threshold and SGA -- and could therefore discourage many from even trying to work. Because of the uncertainty of the effect on the work activity of beneficiaries, any offset that begins below the threshold contained in this proposal should be tested first through a demonstration project.

The CCD Social Security Task believes a benefit offset should have the following design and be accompanied by the following administrative and work incentives changes. This proposal is a unified design, not a menu of options. Inclusion of a provision in this package does not mean CCD would support it as a standalone change or if introduced as part of a different package of work incentives changes.

Offset design:

1. Benefit offset level: \$1 benefit offset for every \$2 of earnings over the earning disregard threshold.
2. Earning disregard threshold: Initial earning disregard should be set no lower than the current law Trial Work Level (TWL) period earning threshold of \$780 for 2015 (if adopted in 2016 or after should begin with scheduled TWL earning threshold for that year). The earning disregard threshold for SSDI should be indexed in the same manner that TWL is currently indexed annually. Earnings should be counted when the beneficiary is paid instead of earned under this benefit offset design.
3. The earned income disregard in the Supplemental Security Income (SSI) program should also be increased to the level it would be at if it had been indexed since its inception. The earned income disregard in the SSI program should be indexed after it is increased. For example, the CCD SSTF is supportive of the approach taken by the Supplemental Security Income Restoration Act (\$112 general income disregard, \$364 earned income disregard).
4. Family economic security: Spousal and dependent benefits will be affected by the creation of a benefit offset in the SSDI program. The effect that the reduction of the primary beneficiary's benefit under the offset has on the benefits of family members must be addressed in a manner that does not significantly impact the family's economic security or in a way that it creates a work disincentive.

Additional improvements to and simplification of work incentives:

1. Eliminate the Trial Work Period. A Trial Work Period would no longer be needed with a benefit offset.
2. Eliminate the Extended Period of Eligibility (EPE): The CCD Social Security Task Force recommends that the EPE be eliminated. Rather, earnings should never cause an SSDI beneficiary's eligibility to be terminated. Instead, benefit eligibility

should be put in suspension in any month that a beneficiary's earnings rise to the level that no benefit is payable. An SSDI beneficiary's eligibility should only be terminated if the individual has medically improved and no longer has a disabling impairment according to the Title II definition of disability.

These two changes would reflect the same changes made to the SSI program when the Section 1619 program was made permanent in 1987.

3. Improving the Impairment Related Work Expense (IRWE) incentive:

a. Better Administration: We recommend improving the administration of the IRWE by making the reporting of IRWEs easier – allowing online submission of evidence of expenses that might be eligible to be counted as an IRWE and reducing the frequency at which someone must provide evidence of the IRWE – e.g. create a presumption that the expense continues at the same monetary amount unless SSA is notified. If needed, verification of the expense could be asked for annually.

b. Expansion of Covered Expenses: We recommend expanding the expenses that non-blind individuals with disabilities can have excluded from their income for the purposes of determining the amount of an SSDI benefit. As outlined in the CCD testimony to Chairman Johnson and Chairman Davis for the September 23 2011 hearing Joint Hearing on Work Incentives, "...(w)e recommend revising the impairment-related work expenses provisions. ...The current SSI blindness rule should be applied to both Title II and SSI disability claimants and beneficiaries to allow the consideration of all work expenses, not only those that are "impairment-related." For Title II and SSI disability claimants and beneficiaries, only those work expenses that are "impairment-related" will be considered. However, the SSI income counting rules for individuals who qualify based on statutory blindness are more liberal because all work expenses can be deducted, not only those that are "impairment-related." There is no policy basis for this continued disparate treatment of people with different disabilities. We also recommend allowing individuals to include their health insurance premiums as IRWEs. This would recognize the higher costs incurred by workers with disabilities who must pay premiums for the Medicaid Buy-In or for continued Medicare after the termination of free Part A benefits."

4. **Administrative Issues: Reporting earnings, processing of earnings, and adjustment of benefits:** CCD believes it is very important that the creation of an offset in the SSDI program is accompanied by changes to the current processes and procedures for reporting and processing earnings reports. Overpayments and the threat of them are serious disincentives to work for beneficiaries. The current

length of time (average of 9 months) it takes to process an earnings report is unacceptable and results in overpayments and discourages work among beneficiaries. We cannot overstate the importance of including provisions to address this in any benefit offset design.

- a. Earnings reporting: It should be as easy as possible for beneficiaries to report their earnings. At a minimum, SSA should have an online system that allows SSDI beneficiaries to report earnings and every beneficiary should have an electronic record (via email or other means) of the earnings report. The system for reporting earnings should be connected with the benefit record so that a notation is made in the file that a report of earnings has been made and a work report has to be developed. Performance standards for SSA staff should be created to ensure that the work report is developed in a reasonable timeframe so as to avoid overpayments.
- b. Benefit adjustments: Benefits should be adjusted in a timely manner once an earnings report is made to SSA to avoid excessive overpayments.
- c. Staff and resources: Given current workloads and staffing constraints, it is likely that additional staff will be necessary to allow for efficient and timely administration of the new benefit offset in the SSDI program. Significant overpayments already exist in the SSDI program and the SSI program as well. CCD is very concerned that absent sufficient funding and staffing, a benefit offset in the SSDI program will be hard pressed to help increase employment outcomes and economic security of SSDI beneficiaries.
- d. Beneficiaries who follow the rules should not be penalized. Congress should adopt an “estoppel” provision that gives SSA 4 months to adjust benefits and notify beneficiaries of existing overpayments. For beneficiaries who have followed the law by properly reporting their earnings, if SSA fails to act within the 4 months to adjust benefits and notify the beneficiary, SSA would be prohibited from collecting back overpayments.
- e. SSA field office staff should have the same incentives to process earnings reports as they do to complete other work. These changes would result in a system that is fairer to beneficiaries and would likely save a significant amount of taxpayer dollars.

Updated September 2015