

Working PAPER

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The Employment/Eligibility Service System: A New Gateway for Employment Supports and Social Security Disability Benefits

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ABSTRACT

BACKGROUND: We propose to modernize the gateway to the Social Security Disability Insurance (SSDI) program in a manner that addresses two systemic problems with the economic security system for workers who experience threats to work because of medical conditions: (1) limited access to timely work supports, resulting in unnecessary labor force exit and SSDI benefit receipt; and (2) long processing times, large numbers of allowances after appeals, and other performance issues for those who apply for SSDI. Both problems are fallout from the failure of the system to keep up with changes in technology, medicine, the nature of work, and the conceptual understanding of disability in the decades since SSDI's inception in 1956. Restructuring the gateway to SSDI could improve the economic security of workers and reduce SSDI caseload growth.

PROPOSAL: We propose to replace the current gateway to SSDI with one that addresses both problems. The new gateway would consist of a system of integrated employment/eligibility services (EESs). Key EES features include: outreach to workers, employers, and health care providers; triage of applicants into no support, work support, or immediate SSDI entry conditional on Social Security Administration (SSA) approval; and delivery of evidence-based work supports. The active pursuit of a work plan, with support, would constitute a supported test of the ability to work; lack of success could eventually result in an SSDI award.

Each state would establish an EES system, incorporating elements of existing state agencies (such as the disability determination service [DDS], vocational rehabilitation agency, American Job Centers, short-term disability insurance program, and workers' compensation) supplemented by contractors as needed. Private disability insurers and workers' compensation insurers could potentially qualify to act as EESs for their covered workers. SSA would lead a multi-agency office to oversee the new system. Workers would be able to appeal EES denials through a federal appeal process, similar to the way many SSDI applicants appeal DDS denials today.

Evidence from other countries and private insurers implies that the new SSDI gateway could greatly increase continuation of work and decrease SSDI entry. We estimate that eventual reductions in federal expenditures for SSDI beneficiaries, net of additional expenditures for employment supports, could be on the order of \$25 billion per year, though accurate prediction of impacts is not possible. The proposed system is designed to reduce, not increase, the burden on employers of hiring and retaining workers at risk for SSDI entry.

INTERMEDIATE STEPS: Congress could start this change by: (1) revising the definition of disability in the Social Security Act to be consistent with the modern understanding of disability; (2) requiring SSA to continue using the existing criteria and determination process as the new system is developed; (3) establishing a multi-agency office to lead the development effort; and (4) specifying criteria to start the formal transition to the new gateway. Investing substantial time and resources in development is necessary to optimize the resulting system and minimize the chance of undesirable outcomes for workers or taxpayers. The development effort would include pilot systems to serve those workers most likely to benefit from expanded access to work supports, based on existing evidence. The pilot systems would be scaled up as success warrants.

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I. A NEW GATEWAY FOR SOCIAL SECURITY DISABILITY INSURANCE

We propose to modernize the gateway to the Social Security Disability Insurance (SSDI) program in a manner that addresses two major problems. First, workers with medical conditions that threaten their ability to continue to work frequently do not have access to timely supports, resulting in premature exit from the labor force and entry into SSDI. Second, the performance of the determination process for SSDI disability has been extremely problematic for decades. Both problems are fallout from the failure of the economic security system for such workers to keep up with changes in technology, medicine, the nature of work, and the conceptual understanding of “disability” in the decades since policymakers designed the SSDI program in the mid-1950s.

Any structural reforms to SSDI must address both gateway issues. The first can potentially be addressed by “early intervention” programs—those that deliver or incentivize timely support to workers and their employers once a work-threatening medical condition is recognized. Often overlooked, however, is the potential for using early intervention programs to address the second problem. As already is the case in other disability insurance contexts, the gateway to SSDI could integrate (1) the timely provision of work supports for those with significant medical conditions with (2) an eligibility determination process that immediately awards long-term income support to those with the most problematic circumstances, and to others only after a supported, good-faith work test is unsuccessful. A single integrated system is more efficient than two systems that separately provide work supports and perform eligibility determinations.

We propose the development, testing, and adoption of a nationwide system of integrated employment/eligibility services (EESs). This new SSDI gateway approach would be designed to improve the economic security of workers with significant medical conditions; reduce the rate at which they stop working and enter SSDI; slow the growth in federal expenditures to support such workers; and create an eligibility determination process that is equitable, effective, and efficient. The elements of our proposal are not all new, but our proposal includes greater emphasis on integrating SSDI eligibility determination within a system that also provides work supports. The proposal is consistent in many respects with early intervention demonstrations described in President Obama’s 2015 budget proposal for the Social Security Administration (SSA) and the 2015 Omnibus Appropriations Bill (H.R.83, “Consolidated and Further Continuing Appropriations Act,” 2015). This proposal, however, goes further—as described below, it would eventually result in changes to eligibility criteria and the determination process through the introduction of a supported work test in which a substantial subset of applicants would be required to engage before further consideration of their eligibility for SSDI benefits.

Nearly a decade after the Social Security Advisory Board (SSAB) called for research and development in this area (SSAB 2006), no serious effort has been launched even to pilot such an integrated system, perhaps because its development requires effective collaboration of multiple federal and state agencies as well as private organizations. Yet, the experience of private disability insurance (PDI) and workers’ compensation (WC) carriers in this country, as well as innovations in public disability insurance systems in other countries, demonstrate that EESs can address both the employment and eligibility determination problems our proposal aims to address. We take into account lessons from existing systems and apply them to the development

of an effective EES system for SSDI. Adapting these ideas for the U.S. will take some effort, but it seems quite feasible to do so and simultaneously achieve several desirable policy goals.

Key features of the proposed EESs include effective outreach to targeted workers, employers, and health care providers; intake specialists who triage applicants into work supports, immediate SSDI entry, or no support; and narrow targeting of work supports to those for whom such supports will make a difference. Work supports will include elements the evidence base shows to have been beneficial in other contexts: coordinators to advise and facilitate communication between the worker, clinicians, the employer, and other service providers; a needs assessment and establishment of a work plan; time-limited cash benefits; tailored services; and requirements for demonstrating good-faith efforts, with SSDI entry if such efforts are unsuccessful. An EES system also will require a carefully developed appeals process.

We present options for rapid development and testing of EES models that would draw on the existing capabilities of both public and private entities under new organizational structures designed to ensure effective collaboration. Funding for EESs would come from redirecting other expenditures—such as those from SSA’s administrative budget, the SSDI Trust Fund, other public programs, private health insurance, PDI, and WC—depending on each worker’s circumstances. Importantly, the proposed system does not intend to place new burdens on employers, as such burdens are likely to discourage hiring or retaining workers at high risk for medical events. We thus avoid employer mandates, fees, or taxes as means to finance the system or increase employer incentives to retain workers.

In Section II, we document the problems addressed by our proposal and the success of similar systems. We describe the features of a generic EES gateway to SSDI in Section III, where we also outline the institutional infrastructure for a system of EESs. We analyze the likely effectiveness of such a system and its benefits and costs to various stakeholders in Section IV; we outline a process for EES development, testing, and adoption in Section V; and we address the probable concerns of stakeholders in Section VI. We provide our conclusions in Section VII.

II. TWO PROBLEMS AND A SINGLE APPROACH TO A SOLUTION

In this section, we discuss the causes and consequences of premature SSDI entry and briefly review existing evidence that timely and appropriate assistance can prolong participation in the labor force. We then summarize the problems with the current disability determination process (including the outdated statutory definition of disability) and briefly review EESs that currently exist in PDI, WC, and other countries, comparing their contexts to that of SSDI.

Causes and consequences of premature SSDI entry

Workers often fail to get the timely supports needed to continue working after a medical event, especially if the cause is not covered by WC or the worker lacks PDI coverage, as is often the case. The result can be premature exit from the labor force and early entry into SSDI. Many factors contribute. Workers who experience a medical event often fall into the gap between employers with inadequate motivation to invest in retaining the worker and physicians who typically focus on diagnoses and treatment of the individual’s medical condition, not on practices that might promote return to work (ACOEM 2006). For financial or other reasons, workers might

not have access to the supports they need, and health care providers, state agencies, lawyers, private insurers, and others may benefit from encouraging application for SSDI (or Supplemental Security Income [SSI]) over pursuit of return to work (Mann and Stapleton 2011).¹

A considerable number of workers exit the labor force because of a medical condition. In 2012, annual worker applications for SSDI benefits reached 2.8 million; allowances reached 976,000 by December 2012 (SSA 2014, Tables 60 and 39). Although some who enter SSDI might be capable of substantial work with support, fewer than one-quarter do so, and only about 6 percent ever earn enough to forego benefits for even a short period (Liu and Stapleton 2011; Ben-Shalom and Mamun 2013). Historically, about half of denied applicants return to work (von Wachter et al. 2011). Maestas et al. (2013) and French and Song (2014) have shown that substantial numbers of new SSDI entrants would be engaged in substantial gainful activity (SGA) two and three years, respectively, after entry if their applications had been denied.² We do not know how many more would work had they received timely assistance to stay in the labor force.

The consequences of work disability for workers and taxpayers are substantial. For workers and their families, a frequent consequence is a substantial reduction in their standard of living (Boden 2005; Schimmel and Stapleton 2012). From the taxpayer perspective, expenditures on SSDI, SSI, Medicare, Medicaid, and other federal and state programs are also large (Riley and Rupp 2015). For employers, the consequences of work disability are more complex. Many invest in return-to-work supports, presumably because they believe the benefits outweigh the costs, but employers are likely to replace the worker if this is the least expensive way to restore productivity (Ben-Shalom 2015). This probably helps to explain why such a large share of SSDI entrants have low skills and had most recently been employed by small and medium-sized firms (Stapleton et al. 2015).

Evidence on supports to prolong labor force participation

Mounting rigorous evidence suggests that access to better work supports would delay the exit of workers from the labor force. In a systematic review of 10 work-based interventions designed to assist workers with musculoskeletal and other pain-related conditions, Franche et al. (2005) found strong evidence that interventions—including components of work accommodation and early contact between the workplace and health care providers—can reduce sick leave and work disability. Based on an extensive review of the evidence on various early intervention models, Waddell et al. (2008) concluded that the most effective ways to improve employment outcomes after a medical event involve intervening early—especially before the connection

¹For example, health care providers benefit when their uninsured patients become eligible for Medicaid, and states benefit when Temporary Assistance for Needy Families (TANF) recipients obtain SSDI/SSI and Medicare/Medicaid. In fact, some states pay private companies to help move individuals on state welfare rolls into federal disability programs (Joffe-Walt 2013).

²Maestas et al. (2013) estimate that in the absence of SSDI, the marginal entrant—belonging to the 23 percent of applicants whose ultimate outcome is estimated to depend on their initial examiner assignment—would be on average 18 percentage points more likely to engage in SGA (work with earnings above the annual equivalent of SGA) two years after the initial determination if the application had been denied. French and Song (2014) estimate that SSDI allowances reduced engagement in SGA by 16 percent three years after adjudication for applicants with marginal cases adjudicated by administrative law judges.

between worker and employer is severed—with coordinated health care and work supports. The evidence regarding one of the most common causes of work disability—low back pain—is especially compelling (Sullivan and Adams 2010). Wickizer et al. (2011) evaluated an intervention that provided financial incentives to physicians plus organizational support and care coordination aimed at reducing work disability among WC claimants in Washington State. The intervention led to reductions in disability days, labor force exit, and total costs; the number of WC claimants receiving cash benefits 12 months after filing was reduced by 21 percent. Recent evidence from the Netherlands on the 2002 introduction of employer-based employment supports is also quite strong. Hulleger and Koning (2014, Table 5) estimate that the Dutch reforms reduced the receipt of disability benefits by workers ages 40 to 58 who experienced an unscheduled hospitalization by 84 percent for men and 61 percent for women in the third year after the hospitalization, and by about 50 percent for younger workers of both sexes.

Problems with the current disability determination process

Problems with the SSDI disability determination process have persisted for decades, despite extensive investments to address them. Processing times are extremely long and the backlog is enormous; appeals of initial denials are high, as are the allowance rates on appeal;³ and there appear to be inconsistencies in the application of eligibility criteria across states, between initial and appellate levels, and even across adjudicators within the same level (see, for example, GAO 2004; Autor et al. 2015). Furthermore, important decision rules are not supported by an evidence base—no evidence exists on how the “vocational factors” of age, education, and past work actually affect a worker’s ability to learn a new job (GAO 2012; Mann et al. 2014). Finally, the disability determination process encourages applicants to demonstrate they are unable to engage in substantial work rather than encouraging them to attempt work as their application proceeds, thereby undermining their ability to work in the future (Autor et al. 2015).

A fundamental reason why these problems have proven intractable is the conceptual flaw in the Social Security Act’s definition of disability—long-term inability “to engage in any substantial gainful activity because of a medically determinable physical or mental impairment.” The current disability determination system is built on this definition, which focuses almost exclusively on medical conditions, with minimal regard for the many personal and environmental characteristics that affect whether an individual with a significant medical condition is able to work. The most important exception is the use of vocational factors for older workers, introduced in 1967 amendments to the Social Security Act.⁴ Because the vocational

³ The hearings-level allowance rate for medical decisions for those who applied from 1992 through 2007 ranges from 70 to 73 percent, with no apparent trend (SSA 2014, Table 63). For more recent applicants, hearing allowance rates are notably lower (as low as 63 percent for the 2010 applicants), but we do not know the extent to which these rates are affected by the many decisions pending for the applicant cohorts or the effect of the recession and slow recovery on applications, initial awards, and appeals.

⁴ SSA can also deny SSDI applications if the claimant fails to follow an evidence-based treatment prescribed by the applicant’s own physician or use a prescribed orthotic or prosthetic device that would allow the applicant to engage in SGA. However, the agency does not deny applications on the basis of evidence-based treatments or devices that have not been prescribed; consider the use of major equipment such as motorized wheelchairs or scooters; or determine whether accommodations, whether provided by an employer or otherwise, would allow the applicant to engage in SGA. See: DI 23010.005: Failure to Follow Prescribed Treatment—Policies in SSA’s Program Operations Manual System (available at <https://secure.ssa.gov/poms.nsf/lnx/0423010005>); and DI 34121.007 Musculoskeletal Listings, Section J, Orthotic, prosthetic, or assistive devices (<https://secure.ssa.gov/poms.nsf/lnx/0434121007>).

factors are not backed by evidence (Mann et al. 2014), however, adjudicators often must rely on highly subjective information from vocational experts regarding the applicant’s ability to perform previous work or other “work which exists in the national economy” (CFR 404.1566, “Work Which Exists in the National Economy”).

The current approach to disability determination was appealing and practical at the 1956 inception of SSDI but is badly out of sync with health care, technology, social norms, and the nature of work in the 21st century. Major changes in all of these areas have increased the importance of personal and environmental factors in determining ability to work—as reflected in the International Classification of Functioning, Disability and Health (ICF), the framework for measuring health and disability adopted by the World Health Organization (2002). Although the Government Accountability Office (GAO) and SSAB have recommended incorporation of such factors in the disability determination process, little has been done (SSAB 2006; GAO 2012). One reason is the complexity it would add to the current determination process; another is that even if an SSDI applicant could continue to work with supports, he or she might not have access to them. A well-developed system of EESs would address these matters.

Existing EESs

EESs similar to the ones we propose already exist in other contexts. In 2014, 39 percent of private sector workers in the U.S. were covered by short-term PDI (typically for no more than six months), and 33 percent had long-term PDI (Monaco 2015). These programs generally assess eligibility for benefits and provide work supports, including time-limited cash benefits, while the worker is still employed (Autor et al. 2014). For medical events that are work-related and thus covered by WC, the WC carrier typically conducts eligibility determination and provides health care, work supports, and cash benefits (Burton 2007).⁵ An important but seldom recognized feature in both PDI and WC programs is that the provided work supports essentially serve as a work test that can inform decisions about awarding long-term benefits.

In response to problems quite similar to those now confronting the U.S., some countries have reformed their systems; EES systems are at the heart of reforms in the Netherlands, the United Kingdom, and Sweden (Burkhauser et al. 2014). Most notable is the Netherlands effort to address what became known in the 1990s as the “Dutch disease.” That country’s expenditures were the highest in the Organization for Economic Co-operation and Development (OECD) as a percentage of the gross domestic product (GDP)—4.2 percent in 1990. From 2002 to 2010, after enactment of reforms to the DI program, the working-age population receiving DI benefits fell from nearly 8 percent to less than 6 percent. According to Hulleger and Koning (2014), a “gatekeeper protocol” that increased employers’ sickness monitoring requirements is widely considered to have been the most effective element in that reform. The gatekeeper protocol instituted legal responsibilities for employers and sick-listed workers to cooperatively draft a “re-integration plan” soon after onset of a sickness period, leaving the Dutch social benefits administration as only a gatekeeper to DI. A DI benefit is awarded only after failure of “sufficient efforts to resume work,” as demonstrated to the social benefits administration. If the

⁵ Work supports are required in relatively few WC cases—the median number of days away from work due to nonfatal injuries and illnesses is eight days; most cases do not involve any lost days. In 2013, 917,000 private industry workers in the U.S. experienced at least one day away from work (BLS 2014).

administration determines that a worker did not make sufficient efforts, the employer is held responsible for additional months of sick pay.

In Sweden, rapid growth in disability receipt in the 1970s and 1980s led to lower replacement rates on sickness benefits, holding employers responsible for the first 14 days of sickness absence, and putting more emphasis on vocational factors (Burkhauser et al. 2014). Following renewed growth in the late 1990s, Sweden implemented additional reforms that focused on work supports rather than cash assistance. Most notably, standardized protocols for granting cash benefits helped promote return to work before offering cash benefits, and merging of the sickness and long-term disability programs led to triage sooner in the process. These changes were further reinforced in 2008 by rules that called for earlier and more frequent assessment of work capacity.

Differences between the contexts of the EESs described above and that of SSDI must be recognized in considering how such systems could be adapted to the latter. PDI and WC are financed through experience-rated premiums, giving the employer and insurer incentives to provide work supports. Workers with PDI coverage typically have relatively high skill levels, so their employers have a financial stake in their continued employment. WC is mandated for employers, covers at least some medical expenses, and often involves litigation over whether the medical event is due to work. Other countries that have introduced EES systems already had universal health coverage; short-term sickness benefits; more public support for working-age low-income individuals without disabilities; and, before enacting new systems, higher rates of participation in their public disability systems than occurs in the U.S.⁶

Our goals for this paper are to describe (1) a comprehensive EES system for SSDI that is adapted to the U.S. context, and (2) how that system could be developed, building on what can be learned from other EES systems and the capabilities of existing public and private entities.

III. EMPLOYMENT/ELIGIBILITY SERVICES

To provide context for the description of the proposed gateway to employment supports and SSDI later in this section, we first briefly describe the current gateway to SSDI, along with the external employment support system, for comparison purposes. The new gateway will serve to integrate these systems.

The Current SSDI Gateway and Employment Support System

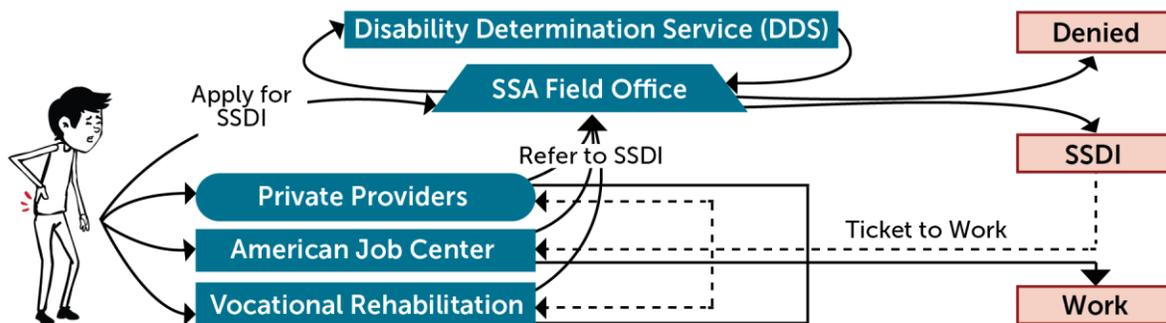
Currently, when workers become aware of a work-threatening medical condition, they face numerous options, as depicted on the left-hand side of Figure 1. They may choose to apply immediately for SSDI at an SSA field office (FO) or seek assistance from the private sector (e.g., from medical and rehabilitation providers) that might allow them to stay in the labor force, or the public sector (e.g., state American Job Centers and vocational rehabilitation [VR] agencies). Some may apply for benefits and seek assistance at the same time. Many workers will return to

⁶ Though the SSDI participation rate has historically been lower than participation rates in the public disability systems in the European countries mentioned above, it has more than doubled since the mid-1980s and continues to rise even though the trend in self-reported health has been flat over this time period (Burkhauser et al. 2014).

substantial work rather than enter SSDI, often with public or private supports, but others will not. Organizations that provide worker support may also help the worker apply for SSDI, or even insist that the worker apply (e.g., in the case of private long-term disability insurers or TANF agencies).

The SSA FO takes the initial application and, after determining that the worker meets the SSDI work history requirement, transfers it to a state Disability Determination Service (DDS), which is responsible for determining medical eligibility. The DDS collects medical evidence from the applicant's health care providers and, in some instances, orders a medical examination to collect additional information. The DDS returns its decision to the SSA FO. An SSA regional office reviews about half of the DDS allowances—those most problematic to adjudicate—and, in some instances, returns the case to the DDS for further development. If the claim is denied, the applicant may appeal the denial through a multileveled process (not shown). If the claim is allowed, SSA begins paying SSDI benefits.⁷ At this point, SSA also offers financing for employment supports provided by prequalified public entities under the Ticket to Work program.⁸ Thus, a feature of the current gateway is that it provides the worker with the option of entering SSDI without first attempting to continue to work using any available supports.

Figure 1. The current gateway to SSDI and the employment support system



The EES

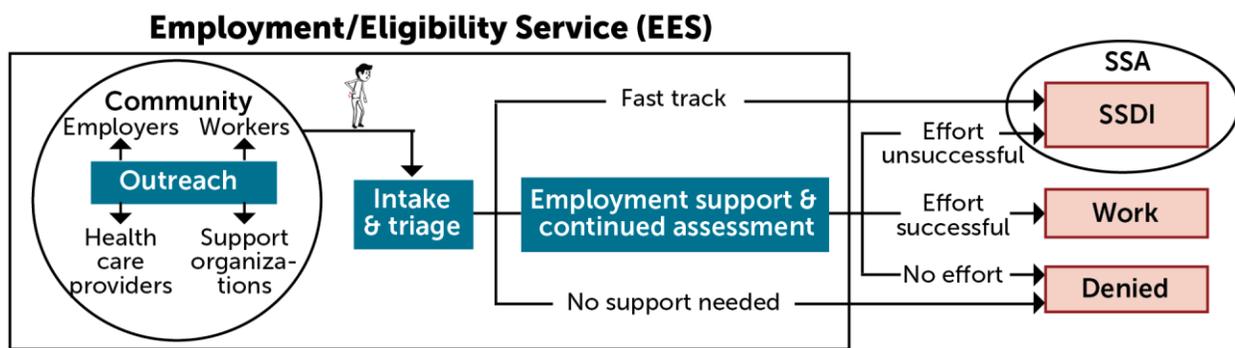
An EES, which could be established by a state or local government, would be an integrated gateway to both work supports and SSDI (Figure 2). To achieve its goal, the EES would have to (1) conduct effective outreach to all workers in the population; (2) identify and interact in a timely way with workers who experience a major medical event; (3) conduct triage—assess whether the worker should obtain SSDI benefits immediately, receive work supports, or receive no assistance at all; (4) design and manage the delivery of individualized work supports to

⁷ The new beneficiary is first entitled to benefits in the fifth month after the first month for which the applicant was not able to engage in SGA (as established by the DDS) and to Medicare 24 months later.

⁸ The beneficiary can use the Ticket—a performance-based voucher—to attempt to purchase employment services from a variety of prequalified public or private providers, or obtain such services from a state VR agency; in that case, SSA will reimburse the agency for costs, up to a limit, if the beneficiary engages in SGA for at least nine months.

workers determined eligible; (5) quickly award SSDI benefits, conditional on SSA review, to those determined to qualify for SSDI without a supported work attempt (analogous to what a DDS would do now), with benefits starting after the five-month waiting period; (6) award benefits to those who unsuccessfully attempt to continue to work with support (again conditional on SSA review); and (7) end work supports for those making no attempt to continue to work despite access to supports. Public and private entities external to the EES (not shown) would deliver many employment supports, but the EES would help manage and finance those supports. In contrast to the current SSDI gateway, the EES would funnel workers likely to be able to continue to work with supports toward available supports before SSDI entry. We consider EES functions in more detail below.

Figure 2. The proposed gateway to employment support and SSDI



Outreach, entry, and triage

The EES would have to conduct direct outreach to workers and others—employers, health care providers, and advocacy and support organizations—likely to know when a worker experiences a serious medical condition that threatens work. All of these groups should be aware that the EES exists and is the gateway to economic security for such workers. Outreach would emphasize that workers or their representatives should contact the EES as soon as they become aware of a medical condition that threatens continuation of work, preferably before the worker loses his or her job, but the EES must also indicate that the door never closes. The EES would establish a “single door” to work supports and SSDI. Any covered worker with a work-threatening condition could seek public assistance—work supports or SSDI—through the EES. Workers would no longer have the option of applying directly to SSA for SSDI benefits.

The EES would conduct triage in three stages. First, the adjudicator would assess whether the worker meets work history requirements for SSDI benefits. If not, the EES would refer him or her to whatever supports are available outside of the EES.⁹ Second, for those meeting the work history requirement, the adjudicator would determine whether the consequences of the condition are of sufficient severity and duration to warrant any support at all, given the worker’s personal characteristics and supports already available. The conceptual criterion would be

⁹ This criterion would exclude individuals who might be eligible for SSI but not SSDI, reflecting our intent to focus on SSDI and those already in the workforce. As discussed later, the EES’s functions could be expanded to cover SSI eligibility determinations.

“unlikely to be able to engage in SGA within a fixed period (e.g., 24 months) with or without work support”—comparable in stringency to current medical criteria. Those who meet this test would become EES clients and qualify for support of some sort, to be determined at stage three. Anyone not qualifying would be notified and provided information on appeal rights.

At the third stage, the adjudicator would determine whether there is a sufficiently high probability that the worker could return to substantial work within a specified period, given available supports. The decision would be based on the worker’s medical condition; personal characteristics, including age, skills, and current employment status; and the availability of work supports known to be effective for similar medical conditions and circumstances. If the decision is affirmative, the worker would be offered employment supports, referred to an employment support specialist, and notified of the right to appeal for immediate SSDI entry. Should the worker decline the offer of employment supports, the worker’s only remaining avenue to SSDI is via an appeal to SSA. If the decision is negative, the adjudicator would award SSDI benefits, conditional only on a review by SSA. Our expectation is that these two groups—those awarded employment supports and those awarded SSDI—would each include large shares of those workers awarded support at stage two, but it is not possible to predict what their shares would be. Those awarded SSDI would be allowed to opt into work supports if appropriate supports are available at a cost less than that of their projected benefits.

Initially, assessment of the prospects for continued SGA with supports should be based on available evidence about the characteristics of workers most likely to continue SGA if they have supports (such as those with lower back pain or affective disorders and those who could potentially return to their current or most recent job with support) and who have not already received evidence-based supports financed by their health care, workers’ compensation, or private disability insurers.¹⁰ The criteria should also reflect the expected costs of the work supports relative to the expected benefits; the new system will increase public outlays if support costs routinely exceed expected benefit savings. Life expectancy is a final consideration, with those having substantially limited life expectancy because of their medical conditions not being required to engage in a supported work test. As success is achieved and capacity developed, the criteria for requiring a supported work test could be broadened—perhaps over decades—to the point where all applicants currently allowed under vocational factors or at the hearings level, plus some of those now allowed on the basis of SSA’s current Listing of Impairments (the Listings), could not enter SSDI without taking a supported work test. Fast-track SSDI awards would then go only to those with a low probability of engaging in SGA within a specified period, even with available supports, or those with a remaining life expectancy below an established threshold. Many (but not all) applicants who meet or equal the Listings would be allowed on this track.

To complete the initial assessment, the adjudicator would collect medical evidence from health care providers and, in some instances, order a medical examination (as state DDSs do now) on behalf of SSA. Except in cases where it might be harmful to the worker, the EES could also collect information from the worker’s employer pertaining to the nature of the job and options for accommodating the worker’s condition or otherwise helping him or her return to the

¹⁰ Regulations will likely be needed to discourage insurers from shifting costs for certain services to the government.

same job. This information also would be used to support development of work plans and conditional SSDI awards.

Work supports

EESs are expected to deliver evidence-based services only; services for which there is no evidence of substantially improved work continuation for targeted workers would not be considered.¹¹ EESs would assign a well-trained case coordinator to each eligible client; this coordinator would be someone other than the adjudicator, with a different set of skills and expertise.¹² The coordinator would work with the client and, as appropriate, the employer, health care provider, and others, to develop a work plan, including a timetable and milestones. Work plans would include elements related to health care, rehabilitation, accommodations, assistive technologies, transportation assistance, personal assistance, trial work or gradual return to work, employer incentives, and cash assistance. Services would commonly be purchased from other organizations and, in some instances, paid for by other parties (e.g., health care by the worker's health insurance plan if the worker has coverage); the EES would be the payer of last resort. The EES would provide time-limited cash assistance only if the worker has used up all medical leave and short-term disability benefits and is ineligible for cash assistance from another source.

The work plan should provide clear expectations for worker adherence to the plan, inform him or her about the consequences of failure to adhere, and advise what to do if adherence becomes problematic.¹³ The plan should also set expectations for performance of other parties regarding the plan; performance incentives should be incorporated when warranted and feasible. As the parties execute the work plan, the coordinator would facilitate communication between them, provide advice when needed, monitor progress relative to milestones, record information about activities and results, and work with all parties to adjust the plan when needed. If the client persistently failed to attain milestones despite adherence to the plan, the coordinator could recommend to a supervisor that the EES terminate work supports and proceed with a conditional SSDI award. If the coordinator attributed persistent failure to achieve milestones to the client's ongoing and inexcusable lack of adherence, the coordinator would recommend service termination without recommending an SSDI award. If the supervisor accepted the coordinator's decision, the EES would inform the client of the decision and the right to appeal. Otherwise, the supervisor would advise a suitable course of action, such as a change to the recommendation or adjustment of supports and further pursuit of work continuation.

¹¹ By implication, workers meeting the severity criteria normally would not be eligible for work supports if evidence-based services for workers with their condition and circumstances are unavailable. It will be important for the government to support research activities that improve the evidence base over time, and EESs should play an important role. Such research can ultimately improve outcomes and reduce costs both by improving the targeting of work supports to those most likely to benefit and improving the outcomes of those eligible for supports.

¹² One reviewer of an earlier draft noted a similarity between SSA's Disability Claims Manager (DCM) test, completed in the early 2000s, and the EES: the consolidation of the functions of the SSA FO and the DDS into a single office. There is an important structural difference, however; whereas the DCM test assigned a single person (the DCM) to perform all major process functions for an individual applicant, with some support from expert consultants, we envision a combination of staff, each specialized in outreach, triage, or planning and management of employment supports, perhaps with subspecialists among the latter—again with support from expert consultants.

¹³ Muijzer et al. (2010) provide a review of how several European systems have implemented work requirements.

Conditional SSDI allowances

Upon conditional award of SSDI benefits, the EES would provide a documented rationale to SSA on the basis of information already gathered. For clients found ineligible for work supports, the rationale essentially would be the same as that for which DDS examiners search now. For clients who receive work supports, however, the rationale for the recommendation would use evidence from the client's supported return-to-work efforts. In such cases, the EES would argue that it has tested the client's capability to engage in SGA with available support and has determined the client cannot do so due to a combination of his or her medical condition and other circumstances.

SSA's own role in adjudication of conditional SSDI allowances would be limited to reviewing the rationale for the recommendation (or denial) and the evidence submitted to support it. This is the same role SSA currently plays in conducting pre-effectuation reviews of at least 50 percent of all medical decisions made by DDS examiners.¹⁴ The actual review differs in the case of EES clients with an unsuccessful work test because the content of the EES's recommended allowance would include evidence pertaining to the test. In effect, the application would already have passed through an initial determination process before it reaches SSA.

Workers would have the right to appeal major decisions made by EES adjudicators, case coordinators, and their supervisors. Each EES would be required to establish an internal appeal process and provide timely decisions. In addition, the federal government would establish a second, external level of appeals for workers dissatisfied with the outcome of their first appeal.

The EES's environment

The success of EESs in achieving policy objectives will also require reshaping critical aspects of the external environment via legislation, regulations, and changes in the administrative functions and processes of existing agencies. We begin by discussing how private organizations and state agencies might interact with or be engaged by EESs. We then discuss financing, federal oversight, and quality improvement activities.

The private sector

The relationship between EESs and employers will be important to the success of the EES. To succeed, the EES must be a useful resource to employers—one that helps them retain workers without imposing new costs—while not displacing work support efforts that employers would otherwise undertake themselves. Ideally, employers would cooperate with the efforts of the EES, but the need for the EES reflects the fact that employers currently stand to gain little from providing work support to low-skill, easily replaced workers—the sorts of workers who predominate among SSDI entrants (Ben-Shalom 2015).¹⁵ Hence, employers of such workers will

¹⁴ If the SSA reviewer is not convinced that the information provided by the DDS warrants an allowance, the reviewer will typically ask the DDS examiner to provide additional evidence before SSA effectuates the allowance.

¹⁵ Many employers already make substantial investments in work-continuation supports, and the cost to the public of funding the EES would be inflated to whatever extent it displaces those efforts, presumably with little impact on work continuation. Many larger employers and employers of any size that must invest in their workers' capabilities already provide work-continuation support after a significant medical event occurs, and because of WC, almost all employers have some incentive to do so when the medical event is an occupational injury or illness.

have little incentive to cooperate unless the EES offers a participation incentive, such as time-limited monthly payments while the worker is returning to work (Stapleton et al. 2009). A possible way to incentivize employer cooperation with the EES would be to consider such cooperation *prima facie* evidence of compliance with the Americans with Disabilities Act (ADA). This approach would be especially helpful for firms not large or prosperous enough to have well-trained human resource specialists with expertise in ADA compliance.

In many cases, employer-financed work supports are delivered by PDI and WC carriers and vendors that specialize in disability management. One way to limit displacement of currently available services is to require PDI and WC carriers to become EESs. They already carry out the basic functions of an EES for covered workers except for making conditional SSDI allowances and documenting their rationale in a manner that meets SSA requirements. The regulations and federal oversight required to ensure the performance of carriers acting as EESs and address conflict of interest (COI) issues would impose new costs on the carriers and, by extension, employers. It would be reasonable to offer financial incentives that address COI and are commensurate with benefits to SSA and new costs for carriers.¹⁶

State agencies

We anticipate that most states will establish their own EESs using the capabilities of state agencies that already perform some EES function; a few states may choose to leverage private sector capabilities. The state's DDS is likely to be fully incorporated into the EES because of its vital role in the current gateway to SSDI.

State VR agencies provide work supports to people with disabilities who are trying to work, or in some cases already working, and many VR clients enter SSDI while receiving VR services or shortly thereafter. These agencies presumably could develop the capability to intervene earlier, as they are explicitly authorized, but not required to do under the 2014 Workforce Innovation and Opportunity Act (WIOA).¹⁷ American Job Centers (AJCs), under the aegis of state workforce development agencies, could also play a role. They provide assistance to all job seekers, including administering unemployment benefits, supporting job search, and delivering employment and training services. The federal government has invested significant funds to make AJC services available to workers with disabilities.

¹⁶ The benefits to SSA stem from the fact that the EESs' conditional SSDI allowances will displace direct applications to SSA and the initial determinations that follow. Further gains to SSDI might be achieved by partially replacing the implicit SSDI subsidy of long-term PDI benefits with an explicit payment to support the carrier's EES activities (Stapleton et al. 2009). The implicit subsidy stems from the private insurer reducing its own long-term benefit payment to the client by one dollar for every dollar of SSDI benefits a client receives. When a private carrier acts as an EES, the government could require the carrier to pay all of the benefit for some period (for example, 12 or 24 months) and compensate the carrier via a commensurate direct payment.

¹⁷ In fact, the WIOA mandate for VR agencies to first serve their most severely disabled applicants significantly limits available funds, and SSA payments to VR agencies for services provided to SSDI and SSI beneficiaries have the effect of encouraging VR agencies to serve such workers last (Mann and Stapleton 2011).

Some states might leverage their WC responsibilities to help the EESs. Washington State provides an example of such assistance.¹⁸ Five states have mandatory short-term disability insurance (STDI) programs. In some of these states, some employers purchase private coverage and others get coverage through a public fund. To our knowledge, none of these programs provides work supports to their claimants. Nevertheless, states could use the programs as a way to quickly identify those workers who experience major medical events and bring them in to the EES. Other state or local agencies that have capabilities of potential value to an EES include, but are not limited to, Medicaid agencies, state and municipal hospitals and health clinics (including mental health providers), transportation agencies, and community colleges.

Financing

A large share of the funding for administering an EES and for much of the work support would come from existing federal, state, and private funding streams. SSA would gradually convert funding for administering the current SSDI gateway to funding the new gateway as EESs replace/subsume DDSs and the role of SSA's field offices in the disability determination process diminishes. SSA financing of work supports for beneficiaries under Ticket to Work and Work Incentive Planning and Assistance could be partially redirected to supports for EES clients as EESs slow the flow of workers into SSDI. Similarly, VR, workforce development, Medicaid, and other state agencies already provide some support to those who would be EES clients. We expect a large majority of these clients to have private health coverage or Medicaid; the latter would pay for medical services incorporated into work-continuation plans. One role of the EES would be to encourage health providers to follow best practices and encourage carriers to pay for them. We expect that many EES clients would initially be eligible for medical leave pay, short-term disability benefits (especially in states with mandatory STDI), or unemployment benefits. States that choose to develop EESs can be expected to draw on these resources in the process. Employers should be required to maintain their own efforts via PDI and WC coverage. We recommend against requiring employers to pay more, however, because one goal is to make it more economically attractive for employers to hire and retain those workers at risk of a medical event and retain those who experience one.

Ultimately, additional funding will be needed to pay for work supports not currently offered to prospective EES clients. One option could be to draw on the SSDI Trust Fund, with the expectation that EES-generated reductions in SSDI benefit costs will exceed the marginal costs of the work supports. Given the long-term imbalance of the Trust Fund, however, it would be more prudent to rely on discretionary revenues until the EESs actually start to reduce benefit payments. This is one of many reasons to start with small tests of EESs and then expand EES funding commensurate with the evidence that emerges (see Section V).

¹⁸ Washington's Department of Labor & Industries has established an innovative system to offer timely work-continuation support to all WC claimants covered by the public fund. There is rigorous evidence that the supports have hastened return to work and reduced WC costs by more than the system's cost (Wickizer et al. 2011). In principle, the same services could be made available to workers who experience medical events that are not job related.

Federal role

SSA would no longer take applications for SSDI directly from workers, but SSA and federal partner agencies will need to have strong roles in the oversight of EESs. Also, the EES could rely on SSA to determine whether an applicant meets the SSDI work history requirement—a process that requires IRS data and that SSA could perform quickly at a central location.

The federal government must provide strong oversight of EESs beyond SSA's review of allowances because the EESs will have COIs that involve federal funding (see Section IV). Many precedents exist for the extent and nature of federal oversight required. Because the DDSs currently have similar COIs, SSA provides oversight through a complex system that includes regulations, rules, technical assistance, financial incentives, quality reviews, pre-effectuation reviews of the 50 percent of DDS allowances deemed most likely to contain decision errors, and a federal appeals process. Similar tools are used by other federal agencies for oversight of state-run programs that rely to a large degree on federal funding.¹⁹ The federal government also uses the private sector to administer other major benefit programs—most notably Medicare.

We envision the establishment of a multiagency EES office tasked with leading the effort to improve the economic security—through a combination of employment, income, and in-kind supports—of workers who experience medical events. SSA would play a lead role within that office, as would the Department of Health and Human Services (HHS); the Department of Labor (DOL) and Department of Education (ED). Because of its multiagency nature, reports prepared by the office and submitted to the president and Congress would be signed by the leaders of each agency involved. SSA would continue to have final authority to allow SSDI applications after review of an EES recommendation and return cases to the EES for further development when warranted.

Other oversight elements would include (1) regulations and rules that govern the EES assessment process (including workers' medical and other personal and environmental characteristics that make them good candidates for work supports); (2) contractual arrangements between the EESs, the federal government, and subordinate entities, including performance incentives; (3) decision criteria and standards for supporting conditional award submissions; (4) description of the work supports the EESs are expected to use; (5) requirements for internal appeals; (6) the external appeals process; (7) a management information system and data requirements, including the interface with SSA systems; (8) privacy protection and data security; (9) provisions for use of data analytics to support operations and quality improvement;²⁰ (10) performance measurement and data collection and reporting; (11) auditing;²¹ and (12) technical assistance.

¹⁹ To ensure a certain degree of uniformity across states, the federal monitoring process for EESs could incorporate a testing system designed to assess uniformity and support efforts to address excessive variation.

²⁰ For example, rapid-cycle evaluation (Cody and Asher 2014) could be used to quickly compare and prioritize between alternative approaches to the targeting of work supports as well as the types of supports provided to the targeted individuals.

²¹ Predictive analytic techniques (Cody and Asher 2014) could be used to identify potentially fraudulent EES cases and effectively triage fraud prevention efforts.

The external federal appeals process for EES decisions would be a reformulated version of the SSDI/SSI appeals process currently operated by SSA's Office of Disability Adjudication and Review. Workers dissatisfied with an EES decision could appeal it to the external process only after denial of an initial appeal to the EES. In the external process, administrative law judges (ALJs) would adjudicate cases. A possible option for future consideration is for the EES to be represented in the appeals process because its decisions will typically be based on factors that go well beyond the medical condition of the client, such as the individual's other characteristics and circumstances, the evidence base for work supports, and the availability of supports.²²

IV. ANALYSIS OF THE PROPOSAL

We begin this section with a discussion of how the proposed system of EESs simultaneously expands early intervention for workers at risk of SSDI entry and improves on the current disability determination process. We then analyze the potential benefits and costs of the proposed system—from multiple perspectives—and briefly discuss potential financial and administrative challenges to implementing such a system. We conclude with a discussion of how the rest of the public disability support system could adapt to this new gateway for SSDI.

Effective expansion of early intervention supports

The proposed EES system addresses the limited availability and use of early intervention work supports. Workers, employers, health care providers, and other relevant parties will know where to seek assistance when a worker experiences a medical event, regardless of whether the condition is work related. Workers would be required to be evaluated for work supports and potentially required to make good-faith efforts to continue to work before they could enter SSDI. Timely and effective targeting would ensure that supports are provided to those for whom they would make a difference while they are still connected to the labor force. Others would either receive SSDI benefits with minimal delay or immediately learn that they were not eligible for any supports. Trained service coordinators would advise and facilitate communication between the worker, clinicians, the employer, and other service providers. This approach will maximize the worker's chances of retaining his or her current position, or transitioning to a more suitable job with the same or a different employer. Time-limited cash benefits would provide economic security as well as an incentive to return to work.

Improvements to the disability determination process

The EES triage process will incorporate nonmedical information, including personal and job characteristics, in a manner consistent with today's conceptual understanding of disability. This process will assess ability to work with full consideration of worker medical and nonmedical characteristics and the worker's environment, including the availability of work supports. It will stand in stark contrast to the current process, which encourages workers to demonstrate that they cannot engage in SGA solely because of their medical condition. The work supports provided by the EES serve two purposes: increasing employment security and providing a test of work

²² This option would be an important departure from current practice; the DDS currently is not represented in external appeals, and the ALJ must represent SSA as well as serve as an independent adjudicator (see Block et al. 2014). Having the ALJ take on this dual role would be even more challenging when the interactions of many nonmedical factors with the worker's medical condition play a greater role in determining eligibility.

capability (with appropriate supports), rather than inability, in the determination process. The test changes the eligibility determination in a fundamental way. Instead of passively comparing known medical and vocational information about the applicant to criteria that at best approximate whether the worker can engage in SGA in any jobs available in the economy, with limited regard for available work supports, the adjudicator observes how the applicant performs in an active effort to stay in the workforce using available supports.

Potential benefits and costs

From a national economic perspective, the potential benefits of an EES system that effectively reduces labor force exit and SSDI entry are many and likely to be large, but their size cannot be predicted with reasonable confidence. Potential benefits include increased growth in GDP, employment, wages, personal income, and tax revenues; reduced growth in federal and state expenditures; reduction in the federal deficit; and an eligibility determination process that will restore public trust in the program's integrity. The costs include investments in work supports above and beyond those already being made.

In an appendix, we analyze the likely long-term benefits and costs from the perspectives of workers, employers, the federal government, state and local governments, service providers, and the general public. We also consider transition costs. Economically, the greatest beneficiaries of the new system will be those workers able to continue to engage in SGA with supports they currently do not receive. Employers may or may not benefit; our intent is to build a system that does not impose new burdens on employers and, if anything, makes it more attractive for them to hire and retain workers at risk for work-threatening medical problems.

Our expectation is that this system will eventually reduce annual federal outlays from all programs by a large amount and increase revenues by a comparatively small amount. Although it is not possible to predict these amounts with any degree of confidence, our calculations suggest that federal savings on the order of \$25 billion per year are certainly plausible. These include gross savings to SSDI of \$20 billion, plus another \$12 billion for Medicare, SSI, and Medicaid, partially offset by additional work support expenditures of \$7 billion. Higher administrative costs are likely to offset the savings somewhat, but we expect them to be small because of the potential for gains in efficiency—perhaps \$0.5 billion. Comparatively small revenue gains could also be achieved: perhaps on the order of \$3 billion for income tax revenue, the SSDI Trust Fund, and the Medicare Trust Fund, combined. These annual outlay savings and incremental revenues would be realized well into the future, however, and only after a sustained period of annual investments, perhaps on the order of \$1 billion to \$2 billion per year. After that, savings will start to increase toward the projected long-run annual savings, as SSDI beneficiaries who entered under the existing SSDI gateway leave the rolls. The extent of savings and the speed with which they are realized will depend critically on how this time period is managed and what is learned in the process.

Although state governments play an important role in the proposed system, the financial implications for them will be small and largely positive: new, skilled and federally financed jobs in the public and private sectors and positive impacts on revenues. The new gateway will offer substantial opportunities to private insurers and other organizations in a position to contribute to its development, but some of those opportunities will be accompanied by regulatory changes to

counteract shifting of costs from the private to the public sector. There are many reasons for voters to support the new system, beginning with better economic security of workers, more efficient use of taxpayer dollars, and improvements in program integrity accompanying adoption of a modern definition of disability and a gateway to support that makes more economic sense.

Challenges

Many important topics must be considered in the establishment of any EES system. For example: the length of time the EES and case coordinator follow clients as part of the work test (which may depend on client characteristics); what happens if beneficiaries need ongoing support, such as personal assistant services; and program design features to encourage early application to the EES well before all other forms of assistance have been exhausted.

Strong federal oversight (see Section III) is vital. Without it, many of the state or private organizations that lead the EESs might be inclined to use federal funds for purposes other than increasing the extent to which workers who experience medical events stay in the workforce. Without oversight, there could be many opportunities for EESs to use new federal funding to pay for services or supports that otherwise would have been financed by the state or the private sector or, in the case of the latter, to increase profits.²³

Although the potential for reduced growth of federal expenditures net of revenues is high, there is also potential for increased growth. We expect EESs to reduce SSDI entry, but the number of workers who become EES clients might exceed the number of SSDI entrants under current law. For this reason, it is imperative to create safeguards against delivery of ineffective or excessively expensive services, displacing private sector services, and shifting state costs to the federal government. New operational systems can build on the best of existing systems, but oversight and appeals processes will be challenging to implement successfully. It is possible that administrative savings will be realized, but the system might instead require an increase in administrative resources that is more than the modest increase we would expect. The higher administrative costs will be economically justifiable if they more than pay for themselves through better economic outcomes for workers and lower program benefits, but there is a risk they could become excessively high.

Adaptation of the public support system to the new SSDI gateway

The establishment of an EES system would provide the opportunity to make improvements in other aspects of the disability support system. Such changes could potentially improve the well-being of the target population and achieve considerable efficiencies by integrating support system components and shifting resources toward high-return investments to help this population make use of its work capacity, along the lines described in Mann and Stapleton (2011).

The program most obviously affected by the change in the SSDI gateway is SSI, because the two programs have common medical eligibility criteria and the current SSDI gateway is also the

²³ The challenges of federal oversight are illustrated by those SSA currently encounters in providing oversight of DDSs. For instance, even though SSA fully finances DDS operations, states make critical human resource decisions for all of their employees, including hiring, transferring across agencies, and setting salary scales; those decisions are not always in the best interest of the determination process.

gateway to SSI. Those meeting the SSDI work history requirements who become eligible for SSI as a supplement to SSDI benefits could enter through the proposed gateway without modification. The gateway could be expanded to accommodate those meeting the SSI means test but not meeting the SSDI work history requirements, including many children. To be consistent with the modernized definition of disability, the triage process would result in immediate awards to some applicants, appropriate employment supports to others, and no support for the rest.²⁴

The change in the SSDI gateway would offer opportunities to improve the work incentives currently offered to SSDI beneficiaries. Compared to today, presumably a far smaller share of SSDI beneficiaries would be able or willing to pursue work after SSDI entry because they would have had the opportunity to use employment supports before they entered SSDI. Nonetheless, three groups of beneficiaries might benefit from work incentives and employment supports. The first has been mentioned previously: those who meet the fast-track criteria but choose to opt for employment supports.²⁵ The second is composed of those who entered SSDI before the new gateway was fully in place; they could be offered the opportunity to use the same work supports and give up their benefits if successful but not be required to do so. The third comprises those who could work productively but would be economically worse off if they gave up their benefits for work. The new SSDI gateway could be used to identify such individuals and potentially provide them with variants of SSDI benefits not available today, such as a partial benefit, a benefit offset, or an allowance for work supports. The resulting support system would be much more tailored to the individual's work capacity and other circumstances than the current system.

The new gateway also offers the opportunity to improve employment supports to workers with medical conditions, including some who would not be eligible for SSDI under current criteria or are not seeking SSDI benefits, whether or not they are eligible. The EES could be used as the gateway to employment supports for all workers with medical conditions, regardless of interest in or possible eligibility for SSDI, including those currently offered by state VR agencies, AJCs, and other state agencies. Consistent with the goals of the WIOA, integration of the gateways to these supports would presumably make it easier for workers to access the most appropriate supports and also improve cooperation and coordination among agencies.

The above are the most obvious opportunities for the larger disability support system to leverage the new SSDI gateway. There are likely to be others involving other programs that support this population—Medicaid, Medicare, mental health services, developmental disability services, special education, the Supplemental Nutrition Assistance Program, housing, and various others. The EES system could catalyze changes in the public disability support system that would take better advantage of modern medicine, technologies, and the work capacity of the target population. Of course, it is also possible that it could catalyze undesirable adaptation to the system. How to ensure desirable rather than undesirable adaptation should be a critical consideration in efforts to develop, test, and establish an EES system.

²⁴Based on current evidence and research in progress, it might be reasonable to require applicants as young as 14 to participate in supported work tests, although the tests would be of very long duration. See Fraker et al. (April 2015) for a summary of the findings from SSA's Youth Transition Demonstration and Fraker et al. (June 2014) for the design report on the multiagency Promoting Readiness of Minors in SSI (PROMISE) demonstration.

²⁵ Also, special conditions could be placed on the SSDI awards of those expected to be in this group, requiring reassessment for employment supports rather than continuation of SSDI benefits after a reasonable period.

V. DEVELOPMENT, TESTING, AND ESTABLISHMENT OF AN EES SYSTEM

Considerable time and investment will be required to develop, test, and establish a system of EESs. Current policymakers could leave to future leaders the decision of whether and when to commit to replacing the current gateway to SSDI with an EES system, and simply enact legislation that supports pilot tests and larger demonstrations. In this case, the goal would be to gradually develop the evidence base and external infrastructure necessary to support such a system. Alternatively, policymakers could enact legislation that commits to replacing the current gateway with an EES gateway in the future, giving the SSA commissioner and leaders of other relevant agencies the authority to plan and start testing, develop infrastructure, and gradually scale up to a full system under the watchful eyes of policymakers and advocates over a lengthy period. In either case, the legislation would include a statement of objectives, an aspirational timetable, guidance on measuring progress toward objectives, and reporting requirements. We focus below on the latter approach, which is more challenging, and potentially more risky, but would put the government more squarely on a path toward a new gateway for SSDI and better economic security for workers. Policymakers could scale back to a less ambitious initiative without a firm commitment to eventually replace the SSDI gateway with an EES gateway.

Legislation that commits to changing the SSDI gateway would amend the Social Security Act in several ways and might require amendments to acts that authorize other existing programs. Because of the latter, congressional leaders will likely need to convene special committees that include representatives from the committees responsible for the relevant agencies and programs.

Perhaps the most important amendment to the Social Security Act will be to change the definition of disability for purposes of SSDI and SSI eligibility in a manner that recognizes all factors affecting a person's ability to engage in SGA and is conditional on the availability of work supports. Such an amendment would signal to all stakeholders that the federal government is launching a determined effort to modernize the economic security system for people with disabilities. It would not, however, immediately change the current disability determination criteria or process. Instead, it would specify that work supports be considered only if, according to the evidence, supports that are likely to allow the worker to engage in SGA are available to the applicant. The legislation would also instruct SSA's commissioner to continue using the existing criteria and determination process pending successful design and testing of EESs and establishment of an EES system. The legislation would define "success" as increasing the economic security of workers after they experience major medical events while reducing growth in total federal expenditures for their support.

Equally important, the legislation would establish a multiagency office, perhaps a Center for Employment and Eligibility Integration (CEEI), to efficiently improve the economic security of workers via directing the testing and development of a new gateway system for SSDI and, once success is achieved, oversee its gradual implementation and subsequent performance. SSA would be well represented in this office, as would those agencies with substantial responsibility

for programs that currently finance supports for the same target population—most notably HHS, DOL, and ED.²⁶

The legislation should direct the CEEI to focus initially on supporting tests of EES models. Such tests are needed to learn more about (1) how best to structure EESs and how they can screen workers into evidence-based supports without excessive costs, and without providing supports to large numbers of workers unlikely to benefit; (2) the types of workers most likely to work and not enter SSDI without supports; (3) the costs of providing supports relative to the cost of awarding SSDI benefits; and (4) how outcomes of providing supports vary with worker age and other characteristics. The legislation would have to grant the participating agencies the necessary waiver authority. In addition, legislation should direct the CEEI to start developing the federal and state infrastructure required to oversee EESs along the lines described in Section III. Components of the infrastructure could be incorporated in some tests and then refined.

The CEEI would invite applications for grants to establish and test EESs from states, PDI and WC carriers, and perhaps others. The solicitation should specify a substantial set of grant conditions (e.g., the purpose and functions of an EES, the types of workers to be targeted for work supports, the scope of supports to be provided, the objectives and scale of the initial tests, and requirements to support rigorous evaluation). It would invite grantees to be creative in proposing the details, encouraging them to take maximum advantage of existing capabilities. To reduce risk to workers and federal financing, initial tests would target workers for whom the evidence on the effectiveness of work supports is especially strong.²⁷ As confidence in the system's integrity and success grows, and relying on the evidence base, the CEEI would allow test EESs to broaden the definition of the group targeted for work supports.

The CEEI would lead the effort to evaluate the new systems, using rapid-cycle methods that rely heavily on administrative data and inform decision makers and others about findings as quickly as feasible (Cody and Asher 2014). The CEEI would also promote dissemination and discussion of new information as it emerges.

The legislation could also charge the CEEI with measuring annual federal and state expenditures to support workers who experience medical events at the state level under the various programs that fall within the agencies' purview, including 10-year projections. Such accounting would provide a yardstick for policymakers to assess how efforts to improve economic security are affecting expenditure growth (Mann and Stapleton 2011).

Finally, the legislation should establish an aspirational timetable and milestones, including conditions under which the CEEI can order full transition to an EES system. To proceed with a full transition, the office would first have to present an evidence-based transition plan to

²⁶ Because of the multiagency nature of the operation, the CEEI must be permanent to provide ongoing oversight to the new gateway once it is established. As the guardian of the SSDI Trust Fund, SSA would still have sole responsibility for awarding SSDI benefits by approving conditional allowances made by EESs and via external appeals.

²⁷ Evidence cited in Section II suggests that many workers with chronic musculoskeletal issues, such as low back strains, would be good candidates; in 2013, the primary impairment of 36 percent of SSDI entrants was musculoskeletal (SSA 2014, Table 40).

policymakers and the public. The office would also identify any additional legislation that might be required to support the full transition, incorporating what has been learned during the testing and development process. The legislation could specify that Congress and the president must formally accept the plan before the CEEI and its constituent agencies can proceed further.

Congress should also consider expanding the scope of the CEEI beyond that specified above. The CEEI could lead a national effort to modernize the disability support system around the new gateway to employment supports and SSDI. Such an expansion would support pursuit of the potential for improvements in those components of the disability support system most directly related to the new gateway to SSDI, as outlined earlier.

VI. LIKELY OBJECTIONS TO BUILDING A NEW GATEWAY FOR SSDI

Some groups will probably have major concerns about any change to the SSDI gateway. Advocates may fear that existing beneficiaries will be harmed, early intervention will discourage employers from hiring workers at high risk for a medical event, or state and local governments or the private sector will co-opt funds intended to help workers. Labor unions and others may object that workers will be denied benefits to which they are currently entitled. Federal and state agency leaders and employee unions might oppose this approach because it infringes on systems they currently operate. Some groups might object to EESs that give a major role to the private sector; others may object to a larger role for states. Many will likely be concerned that the costs will outweigh the benefits for some or all stakeholders. Finally, policymakers may fear that a costly testing program will ultimately fail to deliver an effective system in the near future, if ever.

Several features of this proposal are responsive to these concerns and objections. First, it would actually expand worker eligibility for support—either employment support or SSDI. Notably, many workers whose applications would be denied under current law would be eligible for timely support, including temporary cash benefits in some cases. Second, existing evidence demonstrates that early intervention can improve outcomes for well-targeted worker groups and pay for itself through reductions in benefit expenditure. Third, the proposed system focuses solely on non-beneficiaries and does not reassess current ones. Fourth, the system should make it *more attractive* for employers to hire and retain workers at risk for a medical event; it does not include an employer mandate to support such services, or fees or penalties when their workers use services or enter SSDI. Fifth, the proposal allows for state variation in preferences for public versus private roles.

Finally, and perhaps most important, the legislation should lead to full system deployment only after test results demonstrate that the new system will improve economic security for workers and meet fiscal objectives. The tests are much more likely to be successful than past demonstration efforts because they will start with interventions that have proven successful in other contexts and apply only to a small share of potential SSDI applicants—those with limited current access to supports and likely to succeed at work when supports are provided. To further ensure success, the tests would invite bottom-up innovation by administrators and professionals who already engage in similar efforts in other contexts. The initiative would collectively test many variants simultaneously and use a rapid-cycle, collaborative learning process, leading to abandonment of ineffective efforts and improvement and scaling up of effective ones.

VII. CONCLUSION

We propose the development, testing, and adoption of a nationwide system of employment/eligibility services. Many of the ideas incorporated in the proposal are not new; some of them have been around at least since the inception of SSDI.²⁸ Our contribution is to blend and develop these ideas in a way compelling to today's policymakers as they grapple with addressing the many problems of the current disability support system. Specifically, these include the labor force exit and SSDI entry of workers who could continue to work if they had access to evidence-based supports and the long-intransigent problems of the SSDI determination process. The broader goal is to modernize the disability support system, gradually rebuilding it around a modern definition of disability and resulting in better opportunities for people with disabilities and more efficient delivery of support.

The proposed EES system would replace the current gateway to SSDI with one leading to work supports or SSDI and, in so doing, efficiently enhance the economic security of workers with work-threatening medical conditions. EESs would be responsible for outreach to targeted workers, employers, and health care providers; triage of applicants into work supports, immediate SSDI entry, or no support; and narrow targeting of evidence-based work supports to those for whom they will make a difference.

We propose legislation to support the testing and development of EESs that would put the U.S. on track to adopt a new, common gateway to employment supports and SSDI once sufficient evidence is available to ensure the system will meet its goals. Development and testing of EES models would draw on the substantial existing capabilities of both public and private entities under organizational structures designed to ensure effective collaboration. Employers must necessarily play a role, and our intent is to make it less expensive for them to retain such workers and more attractive to hire and retain those at high risk for major medical problems, not impose new burdens on them. The new gateway could be the first major step in system reforms that will ultimately yield better economic opportunities for people with challenging physical and mental conditions, thereby both reducing their reliance on government support and fulfilling the promise of the Americans with Disabilities Act.

²⁸ Before establishing SSDI, Congress debated various ways of integrating vocational rehabilitation and SSDI but ultimately created separate programs. Some of the ideas are also reflected to some extent in Project NetWork, a 1991 SSA demonstration project that offered supports to SSI applicant volunteers as well as SSDI and SSI beneficiary volunteers, but not to SSDI applicants or any workers who had not already applied for SSDI benefits. In the early 2000s, SSA designed, but did not implement, an early intervention test for SSDI applicant volunteers meeting certain criteria, but that design did not include enrollment of workers before SSDI entry or dual use of supported employment as a work test for SSDI eligibility. Many of the features of the system we proposed have also appeared more recently in less specific conceptual proposals by the Social Security Advisory Board (2006), MacDonald and O'Neil (2006), Stapleton and Mann (2011), Stapleton (2012), and Liebman and Smalligan (2013).

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APPENDIX: POTENTIAL BENEFITS AND COSTS OF AN EMPLOYMENT AND ELIGIBILITY SERVICE SYSTEM

In this appendix, we analyze the likely long-run benefits and costs of replacing the current gateway to SSDI with an employment/eligibility (EES) service from the perspectives of workers, employers, the federal government, state and local governments, service providers, and the general public. We also briefly consider transition costs.

Workers

The first goal of the EES system would be to increase the economic security of workers when a medical event occurs. For the workers who enter SSDI, the economic benefits of successful early intervention are typically many times greater than the savings that accrue to the government (Ben-Shalom 2015). That is because government benefits replace only a share of their past earnings. These workers are typically well attached to the labor force, but have low or modest wages and skills, and are employed by firms that do not offer private disability insurance (PDI). EESs are less likely to benefit those with very low skills and only minimal attachment to the labor force, and those who already have private coverage. The positive impacts of EESs on the employment and income of those who become eligible for work supports are not expected to have detrimental effects on others. Other benefits and cost to workers are harder to establish. Substantial evidence indicates that continuation of work has positive health benefits (Waddell 2008), but not all workers find work fulfilling.

Employers

The intent of the proposal is to make it more attractive for employers to retain workers after medical events occur and, at a minimum, make it no less attractive to hire workers at relatively high risk for medical events. Hence, the proposal does not recommend mandates, fees, or other provisions that would increase the cost of employing workers. In fact, the expectation is that an EES system will help employers by allowing them to retain workers without investing a great deal in work supports and by providing free technical assistance, including help with meeting the requirements of the Americans with Disabilities Act (ADA) and other laws.

Federal government

The net financial benefit to the federal government consists of three components: gross savings to existing programs minus expenditures for work supports plus increases in tax revenues. Savings to existing programs are potentially very high, particularly to SSDI and Medicare, but also SSI and Medicaid (considering the federal share only), though we cannot offer predictions with a high level of certitude. We do, however, illustrate the potential magnitude using readily available information: it is quite likely that the long-term net savings to the federal government, for all programs, would be \$25 billion or more per year.

Gross program savings

We are unable to reliably predict the size of the reduction in the number of annual entrants into SSDI or, in the long-run, the number of beneficiaries. There are important reasons to think the reduction could be quite large, in percentage terms. First, the documented impacts of introducing early intervention in other contexts have been very large. For instance, Wickizer et

al. (2011) found that Washington State's Centers for Occupational Health and Education (COHE) system reduced by 21 percent the number of workers' compensation (WC) claimants receiving cash benefits 12 months after filing.²⁹ Hullegee and Koning (2014, Table 5) estimate that the 2002 Dutch reforms reduced the receipt of disability benefits by workers ages 40 to 58 who experienced an unscheduled hospitalization by 84 percent for men and 61 percent for women in the third year after the hospitalization, and by about 50 percent for younger workers of both sexes. Although such figures are not directly applicable to what we can expect from an EES system in the U.S, they demonstrate that savings could be considerable.

Additionally, a very large share of SSDI allowances involve cases that are difficult to adjudicate; about one third are allowed by the disability determination services (DDSs) on the basis of vocational factors and about 35 percent only after appeal to SSA.³⁰ We also know that, in the past, more than 20 percent of new SSDI entrants have returned to work, although not necessarily at the SGA level (Liu and Stapleton 2011) and that more would have engaged in SGA had their benefits been denied (Maestas et al. 2013; French and Song 2014). With more timely assistance, many of these entrants might not have entered SSDI. Finally, part of the impact on SSDI entry will come from reduced moral hazard—some workers who know they are likely to be required to undertake a work-test rather than be fast-tracked to SSDI will decide to not pursue SSDI entry because they have no desire to work in the first place.

For illustration purposes, we assume a 15 percent reduction in SSDI entrants of all ages—a percentage that is plausible, given the above facts. In the long run, an impact of this size would reduce gross annual program expenditures for the SSDI, Medicare, SSI, and Medicaid benefits of SSDI beneficiaries by 15 percent, or about \$32 billion based on total expenditure levels in 2012, including \$20 billion for SSDI.³¹

Net program savings

Additional costs for work supports would offset a substantial share of the gross savings. Annual costs depend on the number of clients given supports and the additional amount spent per client. Suppose that to achieve a 15 percent reduction in the number of entrants the EESs provided work supports for four times that many workers at an additional cost of \$10,000 per worker. That is equivalent to \$40,000 per worker deterred from entering SSDI, or about 1.5

²⁹ Most WC claimants return to work relatively quickly and would not qualify for SSDI—the cited estimates are for the relatively severe WC cases that have a high likelihood of qualifying for SSDI.

³⁰ These percentages are based on disabled worker applications filed in 2007, the most recent annual applicant cohort for which only a very small share of cases are pending final decisions (SSA 2014, Table 64).

³¹ The total reduction is based on Riley and Rupp (2015). They estimated calendar year 2002 federal expenditures of \$20,949 per SSDI-only beneficiary and \$23,573 per concurrent beneficiary on the combination of SSDI, SSI, Medicare and Medicaid, both in 2012 dollars (Table 4). Weighting by the percentage of beneficiaries in each group, we obtain mean federal expenditures of \$21,361 for every SSDI beneficiary. We inflate this figure by the ratio of the Riley and Rupp estimate of the PV of mean expenditures for the 2012 cohort of SSDI and SSI entrants (\$332,021) to the corresponding value for 2,000 entrants (\$292,401; both in 2012 dollars, from Table 6) to obtain an estimate of \$24,254 per 2012 SSDI beneficiary in 2012. Multiplication of this figure by the estimated 8.7 million beneficiaries in the average month of 2012 yields \$211 billion. The beneficiary estimate is the average of the December 2011 and 2012 values reported in SSA (2014, Table 27). The SSDI reduction is 15 percent of SSDI benefits paid in 2012, from SSA (2012, Table 4).

times the maximum amount that SSA offered to pay Ticket-to-Work providers for successfully helping an SSDI beneficiary give up benefits for 36 months in 2012 (\$25,884), and about 2.7 times the amount SSA pays per allowed payment claim from state VR agencies for beneficiaries who achieve nine months of SGA-level employment following receipt of VR services.³² Based on 15 percent of the number of SSDI entrants eventually expected from the 2.9 million applicants in 2012, work supports would be provided to about 710,000 applicants—over twice the number of VR applicants who started receiving services in 2012.³³ The total cost would be about \$7 billion (in 2012 dollars)—more than twice the amount of annual federal and state expenditures on VR services.³⁴ Under these assumptions, if an EES system had been in place and achieved long-run gross benefit savings of \$32 billion in 2012, the net benefit savings for 2012 would have been \$25 billion before consideration of added tax revenues.

Administrative costs

The above analysis excludes additional administrative costs. A large share of EES administrative costs would eventually be re-allocated administrative funds from the current SSDI gateway and from other programs that would support the new gateway. All DDS funding would be re-allocated to this purpose, as well as a considerable share of the administrative costs for federal employees who manage the current gateway. Further, administrative cost savings might be achieved because the system would be built around a fundamentally sound concept of disability rather than on one that is outdated. For instance, the vocational assessments (an administrative cost) would eventually be replaced by work tests—the costs of which are already captured above. Similarly, the number of appeals may decrease because a decision to provide work supports rather than conditionally award SSDI benefits will be less problematic for clients than the current decision to deny benefits. Increases or decreases in administrative costs are likely to be small relative to net benefit savings. Based on estimated SSDI administrative costs in 2012 (including post-award administration), a 10 percent change in either direction would be approximately \$300 million.³⁵

Revenues

The federal government will realize additional revenues to whatever extent the increased earnings of workers receiving work supports does not displace the earnings of other workers. The potential amounts are not large relative to potential benefit savings, but it seems likely that they would more than offset any additional administrative costs. These workers and their employers will be contributing more to the SSDI, Old Age and Survivors' Insurance (OASI), and Medicare Trust Funds via payroll taxes, although they will also be increasing OASI liabilities for

³² In FY 2014, the average payment per VR claim was \$14,997; <http://www.ssa.gov/work/claimsprocessing.html>. Accessed June 11, 2015.

³³ We expect that 900,000 of the 2012 disabled worker applications will eventually be awarded, based on the 40.9 percent award rate for the 2007 applicants as of the end of 2012. VR agencies served 323,287 applicants under an individualize plan for employment from the 2012 VR applicant cohort (RSA 2014, Figure 3).

³⁴ In 2012, RSA grants to state VR agencies totaled \$2.9 billion, matched by state funds of approximately \$0.7 billion (RSA 2012).

³⁵ This is based on an estimate that DI administrative costs in 2012 were equal to 2.3 percent of program costs, or \$3.1 billion (SSA 2012, Tables 4 and 9).

their future benefits. The workers will also pay more federal income taxes (FIT). To illustrate the magnitude of the potential additional revenues annually, consider the following hypothetical. If 15 percent of the 8.7 million SSDI beneficiaries on the rolls in the average month of 2012 earned, on average, twice the annualized non-blind 2012 SGA amount (\$24,960), they and their employers would have contributed \$0.6 billion to the SSDI Trust Fund, \$3.4 billion to the OASI Trust Fund, and \$0.9 billion to the Medicare Trust Fund. Assuming single filing status with a single exemption and use of the standard deduction, they would also have paid \$1.3 billion in FIT on their earnings. Excluding the OASI contribution, which is offset by a new liability, total additional revenues would have been \$2.8 billion in 2012. The revenue increase would be smaller to the extent that these workers would have had earnings under current law.

State and local governments

Our proposal does not call for increased state or local financing, but does call for the involvement of state and local governments in EESs. States should see some gains in income and sales tax revenues because of the increases in the earnings and consumption of clients who stay in the labor force. EESs may affect the use of state and local programs by workers and their families, which, in turn, may affect state and local finances, positively or negatively.

Service providers

We expect service providers—PDI and WC carriers; disability management vendors; providers of health, disability and employment services; and others—to experience increases in demand for their services, and some will have to adapt to changes in the nature of those demands or how they are financed. Like any significant change in a large federal program, this one would offer opportunities to entrepreneurial organizations and be problematic for those unable to adapt. We also recommend federal payments to PDI and WC carriers that would increase incentives to provide work supports and offset the costs of new regulations.

General public

We believe voters will generally support a nationwide system to protect the economic security of workers who experience medical events, and that they are willing to pay for an efficiently designed program that is administered with integrity. There is growing evidence that the design of the current program undermines rather than enhances the productive capacity of such workers, and lacks administrative integrity because of the persistent shortcomings of the disability determination process (see Section II). If the EES system succeeds, it will strengthen public support for the system. Further, taxpayers will benefit to whatever extent net savings to the federal government result in more expenditures for valued government activities or lower taxes.

Transition costs

In Section V, we present a proposal for a transition from the current SSDI gateway to an EES system. The transition will take time and will involve considerable transitional costs to reorganize some government offices, finance the necessary learning, and design and build infrastructure. These costs will be impacted by how rapidly policymakers choose to proceed. We would expect an effort that creates a new multi-agency office, supports an extensive grant program, supports interaction with a variety of stakeholders, and starts to build the infrastructure

to support an EES system, to have budgets of \$1 or \$2 billion per year. Although small relative to anticipated future savings, these are substantial sums, given that federal savings will not start to accrue until some future year. Policymakers have the option of starting smaller, by supporting a less ambitious grant program, then scaling up as the evidence on effectiveness, benefits, and costs builds, but that approach will take much longer and ultimately may prove more costly because it will delay the accrual of future savings under the new system.

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