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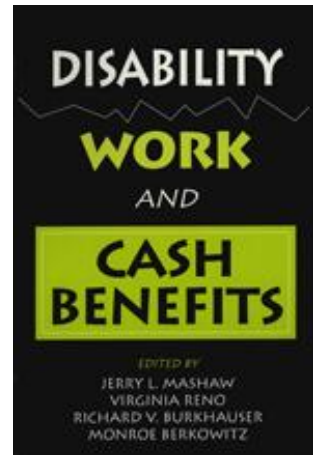
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# Lessons from the Vocational Rehabilitation/Social Security Administration Experience

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# Lessons from the Vocational Rehabilitation/Social Security Administration Experience

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In the long history of efforts to link the vocational rehabilitation (VR) program and the income maintenance programs for persons with disabilities run by the Social Security Administration (SSA), three distinct eras emerge. Even before the passage of Social Security Disability Insurance (DI) in 1956, there were discussions of how to use rehabilitation as an alternative to income maintenance benefits. The period between 1957 and 1981 featured the rise and fall of the Beneficiary Rehabilitation Program (BRP). Since 1982, Congress has legislated a new system for rehabilitating DI beneficiaries that includes stricter reimbursement mechanisms.

The inability to rehabilitate persons after they have been declared eligible for DI retirement pensions, a common feature of all three of the eras, marks a major failure of modern disability policy. The barriers between vocational rehabilitation, which attempts to facilitate the labor force participation of people with disabilities, and DI, which grants tickets out of the labor force, remain high. The only way to lower the barriers is to change the entire disability system.

As an exercise in analytical description, this paper examines the history of VR-DI linkage efforts. The first section recounts the early plans to rehabilitate disability beneficiaries. The second section chronicles the arrival of the BRP program, describes its operation, and cites some of the reasons for its demise. The results of the revised “retrospective” payment schema are examined in the third section.

## **The Linkage in the Planning Stage, 1935-1956**

The idea of building a link between disability insurance and vocational rehabilitation preceded the formal establishment of DI in 1956. Indeed, during the period between 1935 and 1956, SSA planners experimented with different ways to match applicants for disability benefits with rehabilitation services. Their counterparts in the Office of Vocational Rehabilitation developed techniques for rehabilitating people on the public assistance caseload. In this same period, advocates of both programs engaged in complex political negotiations that left a permanent mark on the nation's response to disability.

Social Security administrators included provisions for rehabilitation services in their earliest blueprints for a disability insurance program. Late in 1938, for example, I.S. Falk, the director of research and statistics for the Social Security Board, noted that a program of social insurance against disability should include occupational retraining for persons with chronic impairments and cited vocational rehabilitation as an example of a program that provided such services (Falk 1938, pp. 9-10).

Vocational rehabilitation had existed since 1920 as a modestly funded federal grant-in-aid program that, in a typical year during the 1930s, placed fewer than 40,000 people with disabilities in the labor market. The program, run differently in each of the states, relied heavily on the counseling of people with disabilities. In addition, the program had the authority to purchase a wide array of services, such as training courses, that might help persons overcome their handicaps and enter the labor market (MacDonald 1944).

The Social Security Board planners proceeded to fit rehabilitation into their designs. When individuals' disability claims were being validated, their suitability for rehabilitation could also be tested. The initial estimates called for 10,000 referrals in 1940 and 25,000 referrals in 1945, indicating the modest expectations that officials had of the vocational rehabilitation program (Falk 1938, pp. 19, 29). In 1940, however, the Board expanded the estimates and refined the rehabilitation part of the program. Draft legislation for permanent disability insurance included a \$400,000 appropriation for the Board to administer a program of "medical, surgical, rehabilitation, and other services to dis-

ability beneficiaries”; in the future, the appropriation was not to exceed 2 percent of estimated expenditures for disability insurance. “Rehabilitation,” Board officials claimed in one internal planning document, “is in the interest not only of the worker but also of the insurance system” (Social Security Board 1940).

The 1940s proved to be inauspicious for the passage of a disability insurance program, and, for the moment, the idea of a VR-DI linkage faded. During this decade, Congress repeatedly rejected proposals to expand Social Security by initiating health and disability insurance. Congress paid far more attention to old age assistance than to old age insurance, and the number of people on welfare exceeded the number of people on Social Security (Achenbaum 1986). The vocational rehabilitation program also seemed to be at a low ebb. The pioneering generation that had launched the program in the 1920s was retiring, and, in its place, came a series of uninspired administrators who failed to make a strong case for the plan in Congress. Although the program benefited from the strong wartime economy, in which it was easy to achieve mass rehabilitations simply by assembling a group of people with disabilities and matching them with employers eager for workers, vocational rehabilitation faltered after the war. In 1944, the program rehabilitated 44,000 people, and in 1946, only 36,106 (E. Berkowitz 1988, pp. 17-18).

With the revival of both programs in the late 1940s and early 1950s, the idea of a linkage between the two once again gained currency. In May of 1948, an advisory council submitted a report to Congress that, for the first time, endorsed the establishment of a disability insurance program. After President Truman’s surprising victory in the 1948 elections, Congress gave serious consideration to creating such a program. In so doing, Congress confronted the question of the relationship between DI and VR. In planning documents, SSA officials noted that encouraging rehabilitation was “almost as important as the payment of cash benefits.”

To provide such encouragement, draft legislation in 1949 included a provision that authorized the Federal Security Administrator (the forerunner of the Secretary of the Department of Health and Human Services) to use money from the disability insurance trust fund to furnish rehabilitation services. If individuals should refuse rehabilitation services, they would lose their cash benefits. According to the SSA’s

plans, the two agencies would share medical information and expertise. Improvements would accrue to both programs. By rehabilitating beneficiaries, the Social Security program would save money; by receiving increased federal funds from the disability insurance trust fund, VR would be able to take on the tough cases that met the demanding Social Security standards for permanent and total disability (U.S. Congress 1949).

Although the House of Representatives passed a disability insurance program in 1949, the measure ran into serious opposition in the Senate and died in 1950. Even before the House passed the measure, however, it deleted the section that allowed the Federal Security Administrator to purchase rehabilitation services for the severely disabled. Wilbur Cohen, at the time the Social Security program's chief congressional liaison, later noted that Representative Robert Doughton, the chairman of the House Ways and Means Committee, could not reconcile a program designed to aid permanently disabled people with a rehabilitation program. Congressman Doughton told Cohen that his agency would have to choose between one or the other. Arthur Altmeyer, Cohen's boss, chose permanent disability insurance over rehabilitation (E. Berkowitz, forthcoming). Members of the Senate made the opposite choice. Rehabilitation, according to the Senate Committee on Finance, held "at least equal significance as providing income for disabled people" (U.S. Congress 1974, p. 109).

While Congress did not pass permanent disability insurance in 1950, it did create a compromise measure in the form of a new public assistance category for the permanently and totally disabled. This category eventually became the most important component of Supplemental Security Income (SSI). Mary Switzer, a seasoned bureaucrat appointed to head the vocational rehabilitation program in 1950, chose to make the rehabilitation of public assistance recipients, particularly those on Aid to the Permanently and Totally Disabled (APTD), a priority of her agency. She wanted to revive the program, and she seized on the nation's concern over growing welfare costs. Using rhetoric that had guided the program almost from its beginnings, Switzer noted the need to substitute the positive ideal of rehabilitation for the negative type of social welfare represented by public assistance. She reminded rehabilitation workers that the Bureau of Public Assistance recommended that states use a team approach to disability determination and

suggested that a vocational rehabilitation caseworker be placed on the team. In this way, the two programs could share clients. To facilitate this sort of dynamic interaction, Congress had left room in the new public assistance category to admit clients who were not quite permanently disabled and who could benefit from rehabilitation (Dabelstein 1951).

With Mary Switzer's active intervention, the rehabilitation program responded to this opportunity. Between October 1950 and December 1952, the number of APTD recipients grew from 58,000 to 222,000. In this same period, the percentage of those on public assistance (primarily APTD) at the time of acceptance for VR service provision among those rehabilitated increased from about 9.8 to 12.5. The increase meant that in 1952, the vocational rehabilitation program successfully rehabilitated 7,800 individuals who had previously been on public assistance (U.S. Congress 1952). This provided the nation's first bit of hard evidence that a link could be forged between rehabilitation and income maintenance programs for people with disabilities.

It was a natural extension to forge a linkage between VR and Old-Age and Survivors Insurance (OASI) beneficiaries who became disabled. On October 23, 1953, Secretary Oveta Culp Hobby of the newly created Department of Health, Education, and Welfare suggested to the president that the "OASI system be permitted to underwrite the cost of providing rehabilitation services, through the Vocational Rehabilitation agencies of the States, to insured persons who become disabled." She argued that this provision would cost only a modest amount "but no accountant can estimate the physical rewards, the sense of independence, pride and usefulness and the relief from family strains, which accrue to one of the disabled when he returns to his old job" (Hobby 1953). Despite this eloquent plea, probably drafted by Mary Switzer, the Eisenhower administration decided against the use of trust funds for rehabilitation.

Congress finally passed disability insurance in 1956. Despite determined SSA opposition, Mary Switzer continued to insist that there be a link between vocational rehabilitation and disability insurance. She never realized her vision. The rehabilitation agencies, in the absence of increased funds for this purpose, lacked the time to see all or even most of the applicants for disability insurance. Between 1957 and 1960, all of these applicants were 50 years or older and nearly all had dropped

out of the labor force. Such people made very poor candidates for rehabilitation. The state VR agencies, concerned that their program statistics demonstrate a high success rate, sought a means of screening out disability insurance applicants. In concert with the SSA, they worked out a procedure in which they would not interview people who were over the age of 55, bedridden, institutionalized, mentally ill with negative prognosis, or who had impairments that were worsening (E. Berkowitz 1987, p. 161).

### **Arrival of the Beneficiary Rehabilitation Program**

Not surprisingly, few disability applicants, perhaps one thousand out of 1.5 million, were rehabilitated between 1956 and 1959. These early years set the pattern for the program, even after the elimination of the age 50 restriction in 1960. In fiscal year 1963, the vocational rehabilitation program interviewed 456,000 DI applicants for possible rehabilitation. Only 48,800 were accepted. That same year, the vocational rehabilitation agencies terminated 10,200 cases referred from the Social Security program, of which they managed to rehabilitate successfully only 5,600 (E. Berkowitz 1987, pp. 161-162).

Between 1955 and 1965, more than 2 million severely disabled persons received DI benefits, and only about 19,000 were rehabilitated by the state vocational rehabilitation agencies. Less than 2 percent of the successful rehabilitations in the federal-state program were beneficiaries of the DI program at the time of acceptance for VR services (M. Berkowitz et al. 1982, p. 4). In other words, the rehabilitation program did less well with the DI program than it had done with APTD referrals a few years earlier.

The failure to establish an effective link could, at least in theory, be attributed to a lack of a specific appropriation for this purpose. Although the SSA recommended that trust fund money be used for rehabilitation, Mary Switzer resisted the suggestion. She wanted increased funds for her program that she could control. She realized that, if the SSA used trust fund money to finance rehabilitation, it would insist on close supervision of the process and might ultimately

absorb her agency. In 1965, the SSA managed to overcome her objections, and Congress approved the BRP.

This breakthrough occurred in 1965 due to a change in the definition of disability in the Social Security program. After 1965, a disability no longer needed to be of “long-continued and indefinite duration” to qualify an applicant for benefits; the disability could instead be expected to end in death or to last for 12 months. This change somewhat softened the definition and allowed for a greater possibility that a disability applicant might be accepted for benefits but within a few months become a candidate for rehabilitation.

Beyond this obvious motivation, the BRP stemmed from optimism that an investment of trust fund monies in the rehabilitation process would result in savings for the program. Social Security was extremely popular, as the passage of Medicare in the same legislation as the BRP indicated. Indeed, despite the momentous changes in the disability program in 1965, disability was an incidental concern in the legislation; Congress devoted nearly all of its attention to Medicare. Vocational rehabilitation also retained its popularity from the previous decade, as demonstrated by the fact that in the early 1960s the program obtained increased responsibilities to serve new populations, such as the mentally retarded. Further, Mary Switzer, as part of a major departmental reorganization in 1963, acquired new prestige within the federal bureaucracy. She worried less that Social Security would somehow absorb her agency.

She need not have worried; the terms of the BRP were in fact quite generous. For one thing, the BRP provided money to VR on more favorable terms than those on the contributions the program usually received from the federal government. Most of the federal funds that the VR program obtained required at least some state matching. For every \$10 the federal government contributed, the states contributed about \$4. Money from the BRP, in contrast, came entirely from the federal government, with no need for any sort of state matching. Further, the money was paid prospectively by means of a formula that matched allocations to the states with the percentage of the total DI caseload living in that state. The overall allocation was set at 1 percent of total disability insurance payments.

Understanding what happened to the BRP requires some general background. Table 1 provides an overview of the growth of the DI pro-



**Table 1. DI Cash Benefits Paid, Total Beneficiaries, New Awards, and Terminations from DI Rolls, by Reason, 1969-1992**

Fiscal year	DI cash benefits (\$millions)	Total beneficiaries on DI rolls at start of year (000)	Total number of new awards during year (000)	New awards as a percent of total beneficiaries	Number of terminations during year (000)	Number of terminations due to death of beneficiary (000)	Number of terminations for retirement of beneficiary (000)	Number of terminations for other reasons <sup>a</sup> (000)	Terminations as a percent of total beneficiaries	Number of beneficiaries terminated from DI rolls
1969	2,542	1,295.3	NA	NA	251.3	108.8	93.5	49.0	19.4	2,799
1970	3,067	1,394.3	350.4	25.1	260.4	105.8	102.9	51.7	18.7	3,978
1971	3,758	1,492.9	415.9	27.9	266.5	109.9	107.0	49.6	17.9	2,325
1972	4,473	1,647.7	455.4	27.6	261.7	NA	NA	NA	15.9	2,468
1973	5,718	1,832.9	491.6	26.8	304.8	NA	NA	NA	16.6	2,597
1974	6,903	2,016.6	536.0	26.6	321.0	NA	NA	NA	15.9	2,721
1975	8,414	2,236.9	592.0	26.5	329.5	NA	NA	NA	14.7	3,595
1976	9,966	2,488.8	551.5	22.2	351.5	NA	NA	NA	14.1	4,822
1977	11,463	2,670.2	568.9	21.3	358.9	140.3	151.9	66.7	13.4	4,760
1978	12,513	2,837.4	464.4	16.4	413.6	144.9	192.7	76.0	14.6	6,363
1979	13,708	2,879.8	416.7	14.5	422.5	141.9	205.3	75.3	14.7	7,841
1980	15,437	2,870.6	396.6	13.8	408.1	143.2	199.7	65.2	14.2	NA
1981	17,199	2,858.7	345.3	12.1	NA	NA	NA	NA	NA	NA
1982	17,338	2,776.5	298.5	10.8	NA	NA	NA	NA	NA	NA
1983	17,530	2,603.6	311.5	12.0	453.6	134.3	193.7	125.6	17.4	NA

1984	17,900	2,569.0	357.1	13.9	371.9	133.9	185.8	52.3	14.5	NA
1985	18,836	2,596.5	377.4	14.5	340.0	136.7	186.2	17.0	13.1	NA
1986	19,847	2,656.6	416.9	15.7	NA	NA	NA	NA	NA	NA
1987	20,512	2,728.5	415.8	15.2	331.5	135.4	185.4	10.7	12.1	NA
1988	21,692	2,785.9	409.5	14.7	346.3	151.3	181.5	13.5	12.4	NA
1989	22,873	2,830.3	425.6	15.0	360.2	155.9	193.5	10.8	12.7	NA
1990	24,803	2,895.4	468.0	16.2	327.8	138.0	179.6	10.2	11.3	NA
1991	27,662	2,011.3	536.4	17.8	320.3	144.4	174.6	1.3	10.6	NA
1992	31,091	3,194.9	636.6	19.9	345.9	154.4	180.3	11.2	10.8	NA

SOURCE: McManus (1981), table 1, p. 20; *Social Security Bulletin*, Annual Statistical Supplement 1993, table 6 F2, p. 279, and table 4 A 4, p. 164.

NOTE: NA indicates that data are not available.

a. These data do not include disabled beneficiaries whose monthly benefits have been suspended because of their ability to engage in SGA. These persons continue to be eligible for Medicare for a three-year period.

grams and of DI terminations. One notes the steady growth in cash benefit payments (in nominal dollars) throughout the period. The number of persons on the DI rolls also rose from the inception of the BRP program reporting in 1969 through 1979. There was a decline through 1984 and a subsequent rise through 1992. Two “flow” factors have contributed to the recent growth in beneficiaries. One reflects an explosion (more than a 50% percent increase from 1988 through 1992) in new awards. The other centers on the fact that the number of terminations from the rolls has leveled off. As a percentage of total beneficiaries, the termination rate stands at an all-time low of about 11 percent.

From the beginning, the BRP contained a number of perverse incentives. The greater the DI caseload, the more money was spent on the BRP program. The object of the BRP was at least in part to restrain the growth of the disability rolls, yet its fiscal health depended on the growth of those rolls. The better job that the BRP did, the less need there would be for its services and the less money that would be spent on it.

Not only did the BRP program grow as a result of the rise in the DI rolls, it increased through pressures generated by the political process. Like any federal grant program, the BRP became subject to appeals for its incremental expansion. In this manner, the proportion of DI payments devoted to the BRP increased to 1.25 percent in 1973 and to 1.50 percent in 1974. Combined with the explosive growth in the DI caseload and in program expenditures, the BRP grew into a significant subsidy to the VR program. In 1972, for example, the allotment was \$30.5 million, and it rose to \$102.6 million four years later. By 1976, BRP money accounted for 9.2 percent of VR expenditures (M. Berkowitz et al. 1982, p. 10).

Beyond these features that related to the financing formula, the BRP contained a vital flaw that inhibited its value as a link between the disability determination and vocational rehabilitation processes: the BRP program benefited only those who were already on the rolls. Recall that service provision for VR clients who were merely applicants for DI had to be partially funded, at least initially, from state coffers. VR services for DI beneficiaries were 100 percent federally financed. Because of this difference in the state matching requirements, it cost the program more to serve DI applicants before they entered the rolls than it did afterwards. Once on the rolls, however, a person made a

very poor candidate for rehabilitation. It was an axiom of rehabilitation theory that the sooner the program intervened, the better would be the outcome. By using the BRP to serve only those on the rolls, policy makers lost the most significant part of the huge VR recruiting scheme envisioned in 1954.

The failure of the BRP to stem the rise in the DI rolls did not deter its expansion. Congress moved under the comfortable cover of precedent to extend the BRP to SSI recipients, after the SSI program began in 1974. This move made sense since SSI and DI used the same disability definition and determination process.

It was much harder to rationalize the expenditure of funds for disability applicants rather than for disability beneficiaries. The BRP was created to save trust fund money, not to reform the nation's approach to disability. Congress therefore insisted that BRP money be spent only on clients of the Social Security disability programs. Other expansions of the rehabilitation process would have to be handled through the vocational rehabilitation program itself.

For these and other reasons, the BRP did not transform the relationship between VR and DI. The numbers for 1978, are only a little more encouraging than in 1963. In fiscal year 1978, the state vocational rehabilitation agencies served 154,541 Social Security and federal welfare beneficiaries. They rehabilitated 12,268 people at an average cost of \$7,904 (see table 2). However, someone who was rehabilitated did not necessarily leave the rolls. States counted someone as rehabilitated who worked in suitable employment, paid or unpaid, for 60 days. Unpaid work would not count as "substantial gainful activity" under the rules developed by the Social Security programs and would not cause someone to leave either the SSI or DI rolls. If a person worked for 60 days at a well-paying job and then left the labor force, the individual would also not have to leave the DI rolls. Hence, although more than 12 thousand people were rehabilitated in 1978, only 6,346 people were removed from the rolls, despite the fact that SSA reimbursements were nearly \$97 million.

Such performance casts doubt on the entire exercise, and in time a pervasive critique of the BRP developed. The intellectual sources of this critique were varied. First, economists began to devote serious attention to the effect of disability benefits on labor force participation rates. This research and the very real fact of DI's growth caused policy-

**Table 2. BRP Experience, 1967-1981: Expenditures by SSA, Rehabiliations, Terminations, and Costs per Rehabilitation**

<b>Fiscal year</b>	<b>SSA trust funds expended</b>	<b>Number of DI recipients rehabilitated under the BRP</b>	<b>Number of beneficiaries in the BRP</b>	<b>Number terminated from DI rolls</b>	<b>Percent terminated</b>	<b>Average cost per rehabilitation</b>
1967	\$9,846,158	1,815	NA	170	9.4	\$5,425
1968	15,440,712	5,934	26,455	1,068	18.0	2,602
1969	17,557,281	8,036	32,911	2,799	34.8	2,185
1970	20,983,873	9,307	35,275	3,978	42.7	2,255
1971	24,375,764	9,799	40,711	2,325	23.7	2,488
1972	30,390,442	9,983	45,111	2,468	24.7	3,044
1973	42,934,953	11,580	52,011	2,597	22.4	3,708
1974	56,461,818	13,358	60,651	2,721	20.4	4,227
1975	81,022,057	12,585	69,653	3,595	28.6	6,438
1976	96,190,226	12,826	78,063	4,822	37.6	7,500
1977	89,243,374	11,760	80,037	4,760	40.5	7,589
1978	96,963,162	12,268	94,979	6,363	51.9	7,904
1979	102,070,666	13,302	94,936	7,841	58.9	7,673
1980	NA	NA	NA	NA	NA	NA
1981	85,771,908	13,197	NA	NA	NA	6,499

SOURCE McManus (1981)

NOTE: NA indicates that data are not available.

makers to explore means of limiting disability expenditures. Second, a series of cost-benefit studies, launched by independent investigators in the General Accounting Office (GAO) and in universities, brought into question the efficacy of the BRP. This development occurred simultaneously with a critical reevaluation of the VR program itself. The reappraisal took the form of cost-benefit studies and of criticisms that the program did not serve the population of severely disabled individuals who, arguably, needed its services the most.

On May 13, 1976, the GAO released a study of the BRP that found a benefit-cost ratio of only 1.15. By way of contrast, an earlier analysis done by SSA's Office of the Actuary showed a benefit-cost ratio of 2.50. A subsequent report by SSA calculated a range of \$1.39 to \$2.49 returned for each dollar invested in the BRP (M. Berkowitz et al. 1982, p. 17).

The 1976 GAO study examined 350 DI beneficiaries who had been reported as rehabilitated through public sector VR and whose DI benefits were subsequently terminated. The research found that most of the terminations, perhaps five out of eight, were not due to VR services. In slightly more than half (51 percent) of the cases, the individual's DI benefits were stopped because of medical recovery, not VR's intervention. Indeed, SSA officials maintained that these individuals did not meet the BRP selection criteria and should not have been accepted as BRP candidates in the first place. Another 11 percent of the people in the GAO sample returned to work through their own efforts and had received no VR services. In fact, several of these cases had been discontinued from the DI rolls prior to acceptance for services by a state VR agency.

The GAO study also focused on the discrepancy between the relatively large number of rehabilitations claimed by the state VR agencies and the relatively small number of DI beneficiaries who left the rolls. Beginning in 1967, the number of successful rehabilitations in the BRP grew steadily. Table 2 shows that rehabilitations increased more than sixfold between 1967 and 1973, to reach 11,580. Yet, over the same period, the number of beneficiaries removed from the rolls stabilized at roughly 2,500 in 1973, after peaking at 3,978 in 1970.

The GAO attributed this divergence to the misinterpretation of BRP program eligibility criteria by state VR agencies. Instead of striving for benefit terminations, the state agencies were using the less restrictive "rehabilitation" mandate of the basic VR program. Some 40 percent of

a sample of 400 randomly selected DI beneficiaries classified as rehabilitated were placed in noncompetitive employment such as homemaker, sheltered work, or unpaid family member. Another one of six cases in this sample had worked at competitive employment for 60 days (i.e., with successful rehabilitation as a Status 26 closure) but had not been terminated from the DI rolls because the individual was not able to continue working.

Ironically, as the GAO and Rutgers studies were released, there was a dramatic increase in the number and percentage of BRP candidates terminated from the DI rolls. The fourth through sixth data columns of table 2 demonstrate this trend. From a low of 2,325 cases in 1971, DI terminations through the BRP more than doubled (to 4,822) by 1976. By the end of the decade, terminations had more than tripled (to 7,841) the 1971 figure. The number of persons rehabilitated under the BRP increased by a much smaller percentage, from 9,799 to only 13,302 over the same period. Thus, in the first half of the decade, one out of four or five rehabilitants was terminated from the DI rolls, but by the end of the decade the ratio exceeded one-half.

Despite this irony, the general impact of the GAO and other studies was to dispute the effectiveness of the BRP. The tradition in the VR program had been to portray returns on investments on the order of 10 to 1. Mary Switzer had long argued that for every dollar of tax money spent on vocational rehabilitation, the program returned 10 dollars in tax payments by the rehabilitants. The analysis of the BRP showed nothing like that. In a climate in which disability insurance was viewed as an uncontrollable entitlement program, the BRP came to be seen as a source of expenditures, rather than of revenues.

In the critical atmosphere of the late 1970s, pressures grew to reform the BRP program. Staff members on the Social Security Subcommittee of the House Committee on Ways and Means sought to make the BRP an accountable program of unambiguous benefit to the DI trust fund instead of a general subsidy to the VR program. To accomplish this result, they proposed to substitute retrospective for prospective payment and to reimburse the states only for successfully removing someone from the DI rolls. After lengthy consideration, Congress took this step in 1981, the same year in which the Reagan administration launched an ambitious campaign to remove from the rolls those people thought to have medically recovered. Under the new

arrangements, VR agencies received subsidies only for people who, as a result of VR services, engaged in substantial gainful activity for nine continuous months. Unlike the rest of the Social Security program, DI was regarded by the Reagan administration as a source of current savings. Cutting the costs of the BRP would add to those savings.

### **The Post-BRP Experience of Retrospective Service Payments**

The new program differed radically from the old. In 1981, as table 2 reveals, SSA reimbursements to VR totaled about \$86 million. In the next year, the reimbursements fell to about \$3 million. In effect, the reform of the BRP wiped out the SSA subsidy to vocational rehabilitation. Over the course of the decade, as the states adjusted to the situation, the BRP enjoyed a recovery, although the subsidy never returned to the level of the 1970s. In part, the tremendous resurgence of the DI and SSI rolls in the late 1980s accounted for this trend as did the fact that the states learned how to submit claims to SSA so that more of them would be accepted.

The experience of the post-BRP era is presented in table 3. In the first part of the 1980s, state VR agencies attempted to adapt to the new retrospective payment regime stipulated by SSA (GAO 1987, p. 14). Still, in 1985, VR agencies submitted fewer than 5,000 claims for reimbursement by SSA for rehabilitation services for DI beneficiaries. SSA allowed a little more than half of these claims (2,645/4,912, or 55.2 percent) for a total reimbursement of slightly less than \$10 million. During the 1990s, the annual number of claims submitted by state VR agencies has increased to more than 10,000. The approval rates in the 1990s have ranged from 57.3 percent to 71.7 percent. That means that SSA has allowed an average of some 6,450 claims on an annualized basis, at an average cost of roughly \$10,000 per approved claim.

A comparison of tables 2 and 3 reveals three unequivocal impacts of the BRP reforms. First, SSA's aggregate reimbursement has fallen considerably to state VR agencies for DI beneficiaries receiving rehabilitation services. The nominal expenditures in the 1990s represent less than two-thirds of the amounts in the latter part of the 1970s. In real terms (1987 dollars), the 1992 total outlay was only one-third of the 1979 level.



**Table 3. Post-BRP Experience: Expenditures by SSA, VR Claims, Allowances, and Average Costs per Allowance**

<b>Fiscal year</b>	<b>SSA trust funds expended</b>	<b>VR claims received by SSA</b>	<b>VR claims processed</b>	<b>Number of VR claims allowed</b>	<b>Percent of processed VR claims allowed</b>	<b>Average cost per allowed VR claim</b>
1983	\$ 216,000	3,626	1,813	110	3.0	\$1,964
1984	4,094,000	7,739	4,990	2,202	28.5	1,859
1985	9,850,000	4,912	5,019	2,645	53.8	3,724
1986	20,195,374	6,649	6,482	3,693	55.5	5,469
1987	28,087,992	8,092	7,414	4,469	55.2	6,285
1988	36,456,373	11,032	9,361	5,092	46.2	7,160
1989	48,740,569	11,267	9,762	5,828	51.7	8,363
1990	60,245,993	10,222	12,539	7,330	71.7	8,219
1991	66,593,433	12,300	11,004	6,032	49.0	9,382
1992	63,692,775	10,567	11,510	6,269	59.3	10,160
1993	64,467,533	10,744	10,818	6,155	57.3	10,474

SOURCE "SSA Reimbursement Program. Making Rehabilitation and Employment Services Available to Disability Beneficiaries," Social Security Administration, 1994

Second, this reduction does not necessarily imply fewer VR services per eligible DI beneficiary. Rather, SSA has reduced the number of rehabilitations that it reimburses. The number of claims allowed annually in 1991 through 1993 was less than half the number that SSA reimbursed through the BRP in the latter part of the 1970s.

Third, the number of rehabilitations submitted for reimbursement by state VR agencies in the retrospective payment era has dropped from the totals in the BRP period. Clearly, the reform of the prospective payment scheme has caused state VR agencies to be more circumspect in choosing claims for reimbursement. Specifically, the number of claims submitted in the period from 1988 through 1993 averaged some 11,000 cases annually. For the comparable six-year period of 1974 through 1979, the average annual number of rehabilitations exceeded 12,500 cases. Over the two periods, a one-eighth reduction in the number of claims submitted for reimbursement has occurred.

What do these trends imply for the state VR agencies? Somewhat fewer claims submitted and dramatically fewer claims allowed for reimbursement suggest that the state agency must fund the denied claims from the basic VR program. As table 3 shows, SSA annually denies some 4,000-6,000 claims for reimbursement. In fiscal year 1993, SSA denied most of the cases (2,546 of 4,567 or 55.7 percent of all denials) because the rehabilitant had not demonstrated the sustained capacity to work or had accumulated earnings below the level defined as substantial gainful activity (National VR Denial Report 1993). These denials highlight the distinction between a VR successful rehabilitation and an SSA reimbursement.

Because it so much harder to rehabilitate DI cases, VR counselors tend to shy away from them. The SSA population is older and more severely disabled than the rest of the VR caseload (GAO 1987). Because not all DI beneficiaries get rehabilitated and even fewer meet the SSA's stringent requirements for reimbursement, DI beneficiaries compete with other rehabilitation clients in the basic state VR programs. In such a competition, DI beneficiaries most often lose.

Unfortunately, little data exist to permit a comparison of the post-1981 reforms with the BRP era of 1967-1981. Here one must delve into the problems of data reporting. SSA measured success in the BRP by the number of terminations from the DI rolls, but these data have not been published for the 1981-1991 period. The number of allowances by SSA for reimbursement is not an adequate proxy.

A second shortcoming in reporting also makes comparisons difficult. The average service cost figure reported in table 2 is provided on a per-rehabilitant basis. In table 3, the cost figure is on a per-allowed-claim basis. Ideally, the cost reporting should be across comparable cohorts. Without tabulating such figures on an individual claimant basis, cross-period cost comparisons lack validity.

One last data issue complicates comparison across the two periods. Changes in the standard Rehabilitation Services Administration (RSA) closure report form in 1985 (from the RSA300 to the RSA911) have eliminated most of the extensive information about a client's DI status while in the VR system. For example, on the R300 report, VR clients were asked about their DI status (beneficiary, denied, pending, not an applicant, unknown) at both application and closure from the program. The RSA911 form only requires that a client report whether he or she was receiving DI (a yes/no binary) upon termination from the program.

## **Conclusion**

The bulk of the empirical evidence reinforces the maxim that, once on the rolls, people tend to stay on them. The GAO has stated flatly that "Rehabilitation contributes little to terminations" (GAO 1994, p. 19). The link between VR and DI continues to resemble a long funnel into which the Disability Determination Services pour cases, to have only a few trickle out the other end. The disparities between the ends of the funnel are staggering. The Disability Determination Services made over a million favorable decisions in fiscal year 1993 and recorded 6,154 successful rehabilitations. The revamped BRP undoubtedly saved the SSA money, an estimated \$321.9 million in fiscal year 1993, but this was nearly irrelevant to either the DI or SSI programs ("Developing a World-Class Employment Strategy" 1994, charts 10 and 11).

This raises the more fundamental question of where the relationship between rehabilitation and Social Security went wrong. To be sure, it did not help that bureaucratic rivalry inhibited cooperation in the 1950s and 1960s, but the problems were more fundamental. Social Security advocates pressed for a disability program that they regarded as an extension of the old-age retirement system; disability to them was a

cause for early retirement. Vocational rehabilitation advocates campaigned for an extension of the basic counseling and service program; disability to them was a source of adjustment in one's labor force status that, with the right sort of intervention, could be remedied. To a large extent, the two programs worked with completely different target populations. Efforts to force the DI and, later, the SSI population onto the VR program largely failed.

Furthermore, most of the history recorded here occurred without recourse to serious analysis. Congress simply mandated a relationship between vocational rehabilitation and the disability programs without investigating the feasibility of maintaining such a bond. The efforts at analysis of the BRP had ambiguous findings and hence were not of much use to policy makers. Over time, however, the cost-benefit analyses of both the BRP and vocational rehabilitation did add to the policy environment and provided at least one reason for altering the BRP.

There is also a greater irony. While the conventional wisdom now holds that linkages between VR and DI are destined to end in failure, many claim to favor labor force participation over retirement benefits as a response to disability. Fiscal conservatives, who currently occupy a wide range of the political spectrum, are joined by members of the disability rights movement in this sentiment. If we wish to achieve their objective, the only avenue appears to be fundamental reform of the system, with the attendant high political costs and possibilities for unintended, damaging effects. To put it plainly, the present system of providing DI benefits does not allow beneficiaries to return to work, even though policy makers continue to advocate return to work as a policy goal. At the same time politicians do not appear to have the stomach for changing the system. Almost invariably, reform centers on tightening eligibility rules, not on rehabilitating people with disabilities.

Although the potential remains to make the disability determination process a recruiting station for rehabilitation, the promise of such an approach has never been realized. Despite an initial success with welfare beneficiaries in the early 1950s, the link between rehabilitation and income maintenance has never been forged. Historical circumstance and political maneuvering account for the current situation as much as anything else.

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