

A More Work Focused Disability Program? Challenges and Options

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ABSTRACT

This paper presents options for incorporating a strong return-to-work focus in the disability eligibility requirements for the Social Security Administration's (SSA) disability programs. In developing options, we first review alternative disability concepts from other private and public disability programs that focus on an individual's residual capacity to work, rather than an inability to work. We then examine the potential implications of applying different components of these alternative conceptualizations to the current disability eligibility requirements. Our analysis illustrates that policy makers must struggle with the real costs of creating a more expansive set of disability eligibility criteria that focus on work (which will significantly increase the size of the caseload), with the other costs of having an all-or-nothing disability definition.

INTRODUCTION

Over the last several decades, there has been increasing momentum among the disability community and policymakers to create laws, policies, and programs that promote the integration and inclusion of persons with disabilities into the mainstream. One key factor in attaining these goals is the expansion of employment opportunities for persons with disabilities. Passage of the Americans with Disabilities Act (ADA) in 1990 was a landmark step toward this end.

There has also been a push by policy makers to expand employment opportunities for Social Security Administration (SSA) disability participants in the Supplemental Security Income (SSI) and Disability Insurance (DI) programs. The largest of these work-focused efforts is the newly enacted Ticket to Work program, which is designed to promote work by providing SSI and DI recipients with a “ticket” to purchase rehabilitation from state VR agencies, as well as other providers that provide important employment and rehabilitation services.

Despite the Ticket to Work and other related work incentive programs for SSA disability participants, there has been continued criticism of the degree to which the current disability system focuses on promoting return-to-work opportunities for its beneficiaries. The General Accounting Office (GAO) has suggested that current return-to-work options for SSI and DI participants are limited in scope and should be significantly expanded (GAO 2002; Growick 2002). Congressional hearings on the challenges and opportunities for SSI and DI programs included a number of witnesses expressing the hope that work could become a more central focus of the programs’ mission by drawing on the lessons from other public and private disability programs.

The purpose of this paper is to present options for incorporating a strong return-to-work focus in the disability eligibility requirements for the SSA disability programs, which are the same for both the SSI and DI programs. We develop these options by examining alternative concepts used in other private and public disability programs. Using the general assumption that policy makers are interested in developing a more work-focused definition, we examine alternative disability concepts that focus on an individual's residual capacity to work, rather than an inability to work. These alternative concepts move away from a static concept of disability towards a more dynamic definition that allows for changes in disability over time and different environments.

Our discussion draws on examples from a variety of private and public disability programs in the US and in Europe. We include lessons from recent testimony before the Committee on Ways and Means on possible modifications to disability definition for SSA disability programs (Committee on Ways and Means 2002) and recommendations from other research reports on how to move towards a more work-focused definition.

We take a broad view of what would necessarily be fairly sweeping changes to the disability eligibility requirements for SSA disability programs.¹ Making return-to-work central to these programs represents a major break in US disability policy and could require fundamentally transforming the focus of SSA disability (and potential retirement)

¹This paper does not discuss recommendations for specific changes to the current disability determination process (e.g., updating the Medical Listings) for reasons other than increasing the return-to-work focus nature of the SSI and DI programs. For example, several researchers and policy makers recently have proposed other modifications to the current disability definition to improve the efficiency and equity of processing applications at SSA offices. For a review of specific directions in this area, see Wunderlich, Rice, and Amado (2002), Gerry (2002), and Robertson (2002).

programs, which have been primarily designed to provide cash benefits, as well as other disability cash transfer programs. There is currently a tension between the disability definition for SSA disability programs and efforts to provide return-to-work services to participants in these programs because the eligibility criteria require successful applicants to prove an inability to work. Contrary to arguing that not enough has been done to move toward a work-focused system within the current disability definition, we find that policy makers and SSA administrators are pursuing a number of interesting alternatives. Nonetheless, significantly more can be done if policy makers are willing to move away from the all-or-nothing benefit structure of the SSI and DI programs that focuses on a person's inability to work, and consider more fundamental changes to the purpose of disability programs. We also recognize and discuss that these changes come with serious implications.

We first examine the current disability definition for SSA disability programs, including the history of developing this definition around return-to-work options. Next, we discuss return-to-work conceptualizations for disability programs drawing on examples from other US and European public and private systems. We then use this discussion as a framework for discussing possible changes to the current definition for SSA disability programs within the confines of other disability programs, as well as for possible changes that extend beyond these programs. We conclude with a summary of our findings.

SSA DISABILITY PROGRAMS

The SSI and DI programs are the two primary federal cash benefit programs targeted towards people with disabilities. SSA administers cash payments for both the

SSI and DI programs. Broad changes to the SSI and/or DI programs, such as the enactment of Ticket, require legislative changes by policy makers, while SSA administrators have some authority to test demonstration projects and implement rule changes that are consistent with the broad goals for SSA programs put forth by policy makers.

In general, SSI is a means tested transfer program targeted to low-income adults with disabilities who meet certain income and asset criteria, while the DI program is a social insurance program that is designed to replace the lost wages of adults with disabilities. To qualify for SSI, an applicant must meet a means and asset test. To qualify for DI, applicants must meet certain work history and earnings conditions that vary based on age. Because DI benefits are based on past earnings, they are generally higher than SSI. Unlike SSI, however, DI beneficiaries must wait five months before receiving benefits. Additionally, SSI recipients are generally eligible for health benefits in most states under Medicaid, while DI beneficiaries are eligible for health coverage benefits through Medicare after a two-year waiting period. SSA automatically determines whether an individual is applying for DI, SSI, or both based at the point of application. In many cases, individuals can qualify for benefits under both programs.

Because of the similarity in goals and overlaps across the SSI and DI programs, policy makers have generally implemented the same types of return-to-work rehabilitation programs for both of these programs. The recent Ticket to Work legislation, which attempts to increase consumer choice and the availability of important rehabilitation services, is one such example.

A difficulty in developing return-to-work programs for disability participants in both programs is ensuring that these initiatives are consistent with the eligibility requirements for benefits. Below, we provide a more detailed description of the current disability eligibility requirements for these programs and their implications for developing return-to-work policies.

Disability Definitions

As noted above, the SSI and DI programs use the same strict disability definition that requires that an individual:

- Have a medically determined disability expected to last at least 12 months or result in death; **and**
- Be unable to engage in “substantial gainful activity” (SGA), which was defined as earnings above \$780 in 2002 for all non-blind disability applicants. The SGA limits for filing for a disability because of blindness was \$1,300 in 2002.

Because of these requirements, applicants must prove to program administrators a permanent inability to work.

The disability assessment is based on a five step sequential process (**Figure 1**). To apply for benefits, a person must first file an application form at an SSA field office. The SSA field office then screens the applicant to determine the individual is engaged in SGA (Stage 1). The SSA field office also verifies the income history of the applicant and makes a determination of whether the person is SSI and/or DI eligible based on the current level of assets (for SSI) and work history (for DI).

Applicants who are financially eligible for SSI or DI have their applications sent to a state Disability Determination Services (DDS) agency, which reviews all of the necessary medical information to make a disability determination (stage 2 through 5). The DDS first assesses whether the applicant has a severe impairment that limits basic

work activities and whether that impairment will last at least 12 months or result in death (Stage 2). The DDS then assesses whether an applicant has an impairment that meets or equals the *Listing of Impairments*, which is a set of codified criteria for more than 100 impairment listings (Stage 3). Applicants who meet the criteria in stage 3 are awarded benefits. For those who do not meet these listings, the DDS makes an assessment of an individual's residual functional capacity. The DDS assesses whether an applicant's impairment prevents participation in past work (Stage 4) and, if so, the DDS then assesses whether the impairment prevents any other work that exists in the national economy (Stage 5), while taking into account the applicant's age, education, and work experience.

An essential aspect of the disability determination process is that the initial application process generally averages three months because of the complexities associated in making disability assessments. To make these complex assessments, the DDS collects information from several sources (e.g., physicians, psychologists). For example, detailed physician records are necessary to determine whether an individual's impairment meets or equals the listing (Stage 3). Alternatively, the DDS might collect information from, say, an occupational therapist to determine whether an individual can perform any work in the national economy (Stage 5).

The actual length of application, however, is even longer for many participants because most initial applicants do not meet the strict eligibility criteria and often appeal the initial determination decision. In recent years, just under 40 percent of initial applicants were awarded benefits at initial disability determination stage (Committee on Ways and Means, United States House of Representatives 2000). Many rejected

applicants appeal their initial decision using multi-layered appeals process, which can include a re-examination by other DDS officials not involved in the claim; a review by an Administrative Law Judge (ALJ); and to the courts. Approximately one-third of new awards were awarded on appeal in 1999. For those who are initially rejected at application, the entire appeal process can last for several years.

The complexity and length of the disability determination process likely has important implications for a program participant's interest in returning to work. During the application process, applicants spend several months providing potentially sensitive medical information that attempts to prove an inability to work. Once on benefits, recipients must continue to meet strict disability eligibility requirements (and other eligibility criteria) to maintain eligibility, which SSA periodically reassesses as part of its continuing disability reviews (CDRs). Those who do show medical improvement through a CDR could face the prospect of losing their benefits. Consequently, throughout the application and benefit process, SSA disability participants must continually prove an inability to perform SGA or risk the loss of benefits.

Not surprisingly, given the emphasis of disability determinations on the inability to work, the severe impairment characteristics of recipients, and the potential loss of cash benefits and health coverage, relatively few recipients leave the rolls each year because of recovery. While there are some differences in the characteristics of SSA disability participants (e.g., DI beneficiaries are older, have a work history, are more likely to have a physical impairment), the anticipated duration of participants on both programs is very long. For example, Rupp and Scott (1998) projected that SSI recipients between the ages of 18 to 34 would have an average expected duration of approximately 20 years.

Similarly, they found that DI beneficiaries are much more likely to age out of the program (i.e., turn 65) or die, than to leave the rolls because of work. For many older workers, the probability of recovery is likely extremely low because of high mortality risks.

A key issue in moving towards a more work-focused definition is recognizing the heterogeneity that exists within the population. There are a wide range of impairment characteristics represented on both the SSI and DI programs, including those with severe mental and physical disabilities. In 2001, 36 percent of SSI recipients and 22 percent of DI beneficiaries had a mental disorder listed as their primary impairment (SSA 2002).

Previous findings suggest that the type and on-going need for services will vary significantly depending on a person's impairment characteristics, as well as other characteristics (e.g., age) (Wittenburg et al. 2002). For example, those with mental impairments might need more work support services, such as job assistance, whereas those with physical limitations might need more up front rehabilitation services and physical accommodations. Understanding these different needs, particularly given the increasing surge of younger applicants with mental disorders, is an important issue facing policy makers interested in improving return to work opportunities.

History of Return to Work Provisions

The idea of providing return-to-work services among policy makers has been slow to evolve for SSA disability programs, in large part due to the disability definition used in the eligibility determination process. Policy makers have struggled with the basic notion of providing return-to-work services to a population that has already proven they cannot work during the application process. Some have argued that it is fundamentally inconsistent to provide return-to-work services to a population that has proven an

inability to work. On the other hand, others have argued that rehabilitation or work-support services can play a vital role in helping to a person overcome a disabling condition.

The debates over providing return-to-work services started with the establishment of the DI program in 1956 (SSI was not established until 1972). Policy makers were split over whether to make DI simply a cash transfer program, or to create a link between DI and Vocational Rehabilitation (VR), thereby emphasizing the return-to-work nature of the program. Consequently, they developed a compromise on the rehabilitation issue, and the DI program started with a cautious link to VR (Berkowitz 2003). People were initially referred to VR, but those who refused services without good cause had their benefits suspended. However, the usage of VR services was minimal in large part because most DI beneficiaries were over the age of 50.

Throughout the history of the SSI and DI programs, however, there has been an on-going debate over whether to increase the availability the rehabilitation services to those participating in these programs. Policy makers instituted various provisions that increased funding for VR services, though most initiatives generally targeted relatively small portions of the overall caseload enrolled in the SSI and DI programs.

The debate over the provision of services to disability recipients has also been complicated by the different purposes of the SSA and VR agencies. According to Berkowitz and Dean (1996), Social Security representatives have worked within a framework that generally viewed disability as a cause for early retirement. In contrast, VR representatives have worked within a framework that generally viewed disability as a negative externality that could be remedied.

In recent years there has been a gradual movement towards increasing the availability of return-to-work services for disability recipients as evidenced by passage of the Ticket to Work and Work Incentives Improvement Act in 1999. These changes are likely influenced by broader disability policy changes, such as the Americans with Disabilities Act (ADA), which seek to expand employment and social opportunities for people with disabilities. Additionally, there is a desire by policy makers to stem the huge growth in both the SSI and DI programs, which both grew by over 50 percent in the last 15 years (SSA 2002).

Despite the increasing interest in providing return-to-work services to SSA disability participants, concern still exists about the efficiency of providing return-to-work services to a population of disability recipients that has already proven an inability to work. As noted by Berkowitz (2003), “more than 40 years of experience should determine whether it makes any sense to try to combine a program that pays cash based on individuals’ inability to work with one that attempt to return permanently disabled persons to work. An examination of the experience thus far is not encouraging to those who advocate a marriage between the programs (pp. 16).”

RETURN TO WORK CONCEPTUALIZATIONS IN DISABILITY PROGRAMS

To move to a truly work-focused public disability program in the US requires changes to current conceptualization of disability for the SSI and DI programs. Under current program rules, policy makers interested in improving the employment outcomes of SSA disability recipients face a difficult dilemma: How do you provide return-to-work services to a population using the current disability definition that only identifies those that have shown an inability to work? Changing this disability eligibility definition to be

more amenable to return-to-work is fundamental to making the programs more work-focused.

One source of potential options for change is the experiences of other public and private disability programs that provide cash benefits and services and have a greater focus on return-to-work. In this section, we examine concepts used in a variety of public and private programs that combine cash benefits with some type of provision of return-to-work options. We discuss the disability assessment process, including concepts of temporary and permanent total or partial disability, and the mechanism used by these programs to provide return-to-work services, including early intervention, triaged services, and mandatory rehabilitation.

Our discussion includes concepts from private US disability programs, Workers Compensation (WC), and four European public programs (England, Germany, Sweden, and the Netherlands). We chose these programs as examples because each includes examples that are relevant to discussion of options in moving towards a more work focused definition for SSA disability programs in the next section. While the goals, context, and target populations of these other programs are far different from both the SSI and DI programs, the way in which they conceptualize disability and incorporate a return-to-work focus can provide potential lessons for these programs.

Disability Assessment

Every disability program has an initial and on-going disability assessment process. The initial assessment process plays a key role in the provision of return-to-work services because it sends the first message that participants receive regarding their ability (or inability) to work. This message is reinforced as participants continue to maintain their eligibility for program benefits during the reassessment process.

Initial Assessment

The purpose of the initial assessment for SSA disability programs is to identify persons with the most severe disabilities for cash benefits. The rigidity of the definition creates an “all-or nothing” benefit structure (GAO 2001). Applicants who satisfy these criteria receive long-term cash (and other) benefits, while rejected applicants do not receive any types of services.

Other US and international disability programs use a less rigid structure in assessing eligibility for disability benefits. These programs start with a much broader definition of disability status that either include multiple disability eligibility requirements (which range from less severe to more severe) or assume a temporary or episodic nature of disability.

The initial assessment process in the WC programs generally focuses on returning a worker who was injured on a job back to work. Unlike SSI and DI, WC only serves a population that experiences disability onset while working on the job and includes options for temporary benefits.

Private disability programs, such as those from the UNUM corporation (one of the nation’s largest suppliers of private disability insurance benefits) cited in recent congressional testimonies, use an assessment process that both evaluates a person’s potential to work in various capacities and assists those with work potential to return to the labor force (Anfield 2002). The program definition includes three general layers to account for the different levels of severity among potential applicants, including difficulties working in (1) own occupation, (2) any occupation, and (3) gainful occupation. The last layer of this definition, gainful occupation, is most similar to disability definition in SSA disability programs. Anfield (2002) notes that allowing for

more layers within the disability definition provides more protection for wage earners at all income levels and in a variety of work situations.

While both WC and private disability insurance programs might require participants to apply for SSI and/or DI after a period, the eligibility requirements for these programs do not influence eligibility decisions by SSA. Rather, all SSA disability applicants must meet strict eligibility requirements to obtain benefits regardless of their activities or rehabilitation experiences in these other programs.

In contrast, the four European countries that we reviewed tended to have a far more integrated set of programs that link temporary disability programs to a permanent disability program. Each of these countries has a mandatory set of temporary sickness plans funded by employers that cover individuals regardless of whether disability onset takes place on the job. These programs then feed into a set of temporary disability programs, which provide short-term benefits to individuals who meet certain criteria for temporary benefits. After a waiting period for benefits, those who meet certain eligibility requirements might be eligible for permanent disability benefits, which are similar in nature to those from SSA. In addition, European countries tend to have universal health coverage through public and private sources. Unlike the US where individuals might risk losing their coverage if they move from a program (or lose a job), the availability of universal health care coverage allows for a far more integrated set of programs where individuals do not face the risk of losing important health care benefits.

According to GAO (2002), the availability of short-term disability benefits in many of these countries is similar to the private insurers' provision of benefits mentioned above in that they provide a transitional period for assessing an individual's work

potential and providing treatment and rehabilitation. The availability of these benefits stands in contrast to SSA programs, where the application process forces applicants to wait several months before receiving any benefits and services. As will be discussed in more detail below, the assessment for the permanent disability program in these countries is only made after an individual qualifies for temporary disability benefits.

An important feature of the initial assessment process that influences the provision of return-to-work services is the definition of work limitation. The SSA disability programs use SGA as a barometer for measuring work. In contrast, other disability programs tend to focus on the worker's ability to continue work in his/her current occupation. These definitions are important because they are linked to return-to-work program goals. For example, return-to-work programs, such as the Ticket to Work program, provide payments for the placement of program participants in any job with earnings above SGA. In contrast, private disability insurance and European disability programs tend to focus more narrowly on placing the program participant in his/her previous occupation, while WC programs typically provide return-to-work services targeted towards a previous job. Because some occupations/jobs might require specialized services, the types of return-to-work services vary based on the program eligibility definition. For example, in many cases, European disability and private disability programs provide specific on the job accommodations to help a person return to a previous job.

Disability Reassessment

The on-going return-to-work objectives of disability programs are generally reinforced by the program definition used in the disability reassessment process. During

this process, participants must meet certain eligibility requirements to qualify for continuing benefits.

SSI and DI participants undergo periodic CDRs using the same permanent disability definition from the initial assessment to establish on-going eligibility. This definition reinforces the message that participants must have an inability to work to remain eligible.

The disability reassessment process in other programs tends to recognize disability status as a “continuum.” Specifically, in every program that we reviewed, the definitions changed from the initial and reassessment periods. For example, in European countries, the eligibility rules change as a person moves from a temporary sickness program, to a temporary disability program, and finally to a permanent disability program. Similarly, private disability insurers often move participants into different categories depending on their changing needs. If a participant is benefiting from rehabilitation, s/he might be moved into a less “severe” or partial disability category. Conversely, if rehabilitation is not working, recipients are generally moved into the more severe or permanent disability categories.

Permanent Disability Options

Every disability program tends to have a permanent disability category designed to capture the population with the most severe disabilities. A key difference from the SSI and DI programs, however, is that the assessment of permanent disability status in most programs generally does not occur until an individual has been a program participant for several months. In some cases, such as in the German disability system, there are special categories of immediate permanent support, which are generally limited (e.g., life threatening impairment).

England's Incapacity Benefits (IB) program provides permanent disability benefits that are most similar in nature to those in the SSI and DI programs. After a waiting period of 28 weeks, a British recipient of temporary disability benefits can receive permanent Incapacity Benefits if s/he can show an inability to work. Similar to SSA disability programs, the British assessment for permanent disability includes an all-or-nothing benefit structure.

An essential feature of most other disability programs is the availability of partial permanent disability benefits. Partial benefits are generally calculated based on an impairment rating, as a replacement for lost earnings, or a combination of these two factors. Partial benefits based on an impairment rating system are calculated based on the loss of functioning caused by a specific impairment. For example, if heart condition forces a person to work part-time, a person might receive a 50 percent impairment rating. In this case, a person might receive 50 percent of a full disability benefit. Conversely, partial benefits as a replacement for lost earnings are generally calculated as a ratio of pre-disability earnings to post-disability earnings. For example, if a person's earnings declined 25 percent following the onset of a disability, a system could calculate a benefit to offset the 25 percent decline in wages.

In the US, WC and private disability programs both offer a series of partial benefit options to those who meet permanent disability criteria.² In most cases, however,

² Partial permanent disability benefits are also available in US Veteran's disability programs. The Veteran's Administration uses a disability rating system to provide partial and permanent disability benefits to veterans who experience a service connected injury. The disability ratings are based on a presumed reduction in earnings capacity caused by the disability. Unlike WC and private programs,

participants who qualify for permanent disability benefits are required to apply for disability benefits from SSA.

The European programs have an elaborate set of permanent disability options that combine full and partial permanent disability benefits (Aarts and DeJong 1996). Germany has a dual system with full benefits for those who lose two thirds or more of their earnings from any job in the economy and partial benefits for those who are more than 50 percent impaired with regard to their usual occupation. Sweden uses a more expansive measure of permanent disability status (“inability to work in commensurate employment”) and three partial disability status categories that correspond to earnings loss (25 percent, 50 percent, and 75 percent, respectively). Finally, the Netherlands distinguishes seven disability categories ranging from less than 15 percent disabled, all the way up to 80-100 percent disabled. The degree of disability is assessed based on the “worker’s residual capacity,” which is defined by the earnings flowing from any job commensurate with one’s residual capacities as a percent of pre-disability usual earnings.

The existence of partial permanent disability options suggests that many systems recognize the potential for work even among program participants with permanent disabilities. Rather than the all-or-nothing system, the partial benefit option assumes a continued attachment to the labor force even for those who might not be able to work full-time. In fact, the attachment to the labor force is necessary to ensure that the participant maintains the income s/he had prior to disability onset, as well as other social benefits (e.g., increased self-esteem).

however, the disability assessment for partial benefits is made during initial application for benefits (though these ratings can be appealed if a person’s condition worsens).

Provision of Return to Work Services

The provision of return-to-work services is also influenced by a program's disability conceptualization because these conceptualizations generally include assumptions about an individual's ability to perform some type of work over an anticipated period. In some cases, the eligibility requirements for program benefits are the same for all services, including return-to-work. In other cases, programs modify their disability definitions to target a specific population for return-to-work services.

A major factor in improving employment options for disability program participants is to ensure a speedy provision of return-to-work services. Burkhauser, et al. (1999) found that the provision of accommodations immediately following disability onset among workers in the US increased the likelihood of return-to-work. Similarly, the lessons from the private sector indicate that early intervention is a major factor in improving employment outcomes following disability onset. According to Hunt et al. (1996), private sector insurance carriers have discovered that it is not a question of providing these services within one or two months of disability onset, but rather one of only a few days.

The provision of early intervention services is a major issue given the long application process associated in making eligibility determinations for both the SSI and DI programs (which includes an additional five month waiting period). As noted above, this wait time can last anywhere from several months to a couple of years, and applicants are unlikely to want to do anything that may jeopardize their eligibility for needed benefits.

Policy makers have developed a "passive" recognition of the heterogeneity within the SSI and DI population. Namely, in most return-to-work programs and

demonstrations for SSA disability participants, those who believe they are most likely to benefit from return-to-work services are the most likely to take-up these services and undertake the related risks to benefit loss. We call this a passive recognition because there is not a government agency that attempts to actively determine the work capacity of different beneficiaries for participation.

Not surprisingly, past efforts at providing return to work services to SSA disability recipients under this passive approach have been limited. According to Berkowitz and Dean (1996) “the link between VR and DI continues to resemble a long funnel into which the DDS pour cases, to have only a few trickle out the other end.” (pp. 240). Similarly, many experts anticipate that the newly enacted Ticket program will also only affect a minority of the caseload because SSA disability participants do not receive a “ticket” until after qualifying for benefits (Rupp and Bell 2002; Growick and Drew 2003). While the Ticket program is only in its earliest stages, less than one percent of the caseload has used their Tickets for rehabilitation services.

Nonetheless, it is important to note that some of these efforts might still represent an important return to work services that is beneficial for recipients and the government. For example, even though most researchers anticipate that the Ticket to Work program will likely affect a small portion of the caseload, it is still possible that the program could represent a cost savings to the government, as well as improve the economic status of participants who use their tickets.

Early Intervention

In an effort to improve the timing of return-to-work services, SSA and researchers from the Disability Research Institute are developing pilot demonstrations that will provide early intervention services, including rehabilitation and temporary cash support,

to SSA disability applicants (Disability Research Institute 2002a). The goal of these demonstrations is to test whether early intervention strategies can help keep some applicants in the workforce. As part of the demonstration, applicants are required to go through a brief screening process that would identify DI beneficiaries with a reasonable probability (Disability Research Institute 2002b). A second screening process would be carried out to determine who among the probable beneficiaries would be candidates for return-to-work services.³ Eligible applicants could take advantage of the return-to-work services or refuse the services and continue with the usual SSA applicant process.

In essence, the early intervention demonstration project represents a modification to the current disability definition that creates a separate eligibility track to improve the provision of return-to-work services. This demonstration project first expands the potential pool of eligibles by creating a more simplified application process to enhance the efficiency of processing applications. Within that pool, the demonstration project is then identifying individuals who would most likely benefit from return-to-work services. These modifications are a departure from the all-or-nothing program definition.

Triaged Rehabilitation Services

Private disability programs provide an example of a mechanism for using a disability conceptualization to triage participants into pathways based on expected

³ Specifically, the DRI (2002a) developed an initial screening mechanism accounts for the applicant's age, mental illness status, earnings status, number of functional limitations, and date of onset, which they assumed would identify DI participants with a 60 percent success rate. The second screening mechanism for return-to-work potential accounted for the applicant's age, education, work experience, motivation, disability type, medical stability, and family support. Applicants who have a certain disability and return-to-work score will receive return-to-work services.

duration and type of injury or illness. An advantage that private insurers have over public programs is that they are in contact with participants more quickly following disability onset. According to Anfield (2002), unlike the approaches mentioned above, private disability insurers attempt to categorize persons based on different needs. The process involves continual monitoring of the claimant through the disability duration to assess medical status and work capacity. During this monitoring period, insurers might reassess a participants' disability status depending on their progress in rehabilitation.

Private insurers generally emphasize immediate intervention when possible in providing return-to-work services, with a specific focus on a participant's ability to work, rather than inability to work. In most cases, insurers maintain personal contact with participants on a regular basis starting immediately following disability onset. Individuals who need minimal accommodations generally receive immediate service. In contrast, those who have a much lower probability of reentering the labor market receive on-going monitoring to determine whether return-to-work is possible.

Mandatory Rehabilitation

The strongest example of a link between return-to-work and a disability concept is likely the German system, which includes a mandatory rehabilitation period for most participants prior to permanent benefit receipt. The rehabilitation intervention often begins when the health insurance agency urges a disabled worker receiving short-term benefits to apply for medical rehabilitation, which often happens while the worker is still in the hospital (GAO 2002). The social insurance office then evaluates the person's capacity to work and, if necessary, refers the applicant to necessary services. As long as the person continues to receive short-term disability benefits, the social insurance office monitors the case and periodically reassesses the person's work capacity and need for

return-to-work assistance. Long-term benefits are only awarded after it is determined that a person's earning capacity cannot be restored through return-to-work interventions. As noted above, some participants with severe disabilities, especially life-threatening illnesses, are exempt from these services.

Sweden also follows a similar pattern of mandatory rehabilitation before the provision of long-term benefits. Social insurance offices closely monitor the use of short-term benefits and intervene when employers disregard their early intervention responsibilities. The social insurance office then begins the process of determining whether the person will need vocational rehabilitation to return-to-work (GAO 2002). However, the focus of the Swedish system is on a short, intensive rehabilitation process. If a participant does not show an improvement through rehabilitation after the first year of benefits, s/he is referred to long-term benefits.

The Netherlands system relies primarily on employers for providing return-to-work services. Within three months of disability onset, employers must submit a preliminary plan (to the social insurance agency) to return the disabled worker to the workforce (Aarts and DeJong 1996). If the employer determines that the disabled worker cannot return to the workplace, or if the disabled worker has not returned to work after one year of receiving short-term benefits, the social insurance agency assesses the person's condition to determine eligibility for long-term disability benefits. The assessment involves evaluations of the applicant's physical and mental capabilities, which are then matched against different occupations to determine whether the person is capable of performing any work.

In the US, some state WC programs also attempted to implement mandatory rehabilitation programs for participants. For example, the state of Washington implemented mandatory rehabilitation requirements in 1985, though these requirements were quickly repealed because it was seen as a major cost driver, particularly in cases where a participant had a very severe disability (Perrin, Thorau & Associates, 1998).

IMPLICATIONS FOR DEVELOPING A MORE WORK-FOCUSED DISABILITY DEFINITION

Policy makers interested in incorporating more work-focused concepts into the disability eligibility requirements for the SSI and DI programs can use some of the examples from the previous section as a guide. In some cases, alternative concepts could be incorporated directly into the current system. In other cases, policy makers might have to make fundamental changes to SSA disability programs, as well as other related disability programs, to introduced a more worked focused disability concept.

Possible Modifications within Current Disability Definition

Moving towards a more work-focused disability definition for the SSI and DI programs requires that policy makers examine alternatives to the current definition that focus on an applicant's inability to work. Requiring that applicants demonstrate their inability to work to qualify for benefits, as well as maintain on-going eligibility, conflicts with immediate return-to-work service efforts or requirements. Below, we review options for potential definition modifications during stages of the application and allowance periods that might move the SSI and DI programs towards a more work-focused set of disability criteria.

Pre-Allowance Options

The creation of other alternative eligibility “tracks” at the point of application, which is similar to the early intervention approach mentioned above, could also move the SSI and DI programs closer to a work-focused definition if these tracks focused on a person’s ability to work. This philosophy is generally consistent with the theory that providing services closer to disability onset improves the likelihood that a person will return-to-work. As noted in the discussion of early intervention initiative above, these separate tracks represent a break from the current all-or-nothing benefit structure by creating multiple disability definitions.

SSA Commissioner Jo Anne Barnhart recently announced the creation of several projects that would in essence create alternative eligibility tracks to provide work incentives and opportunities before people enrolled in SSI and/or DI. Specifically, she announced plans for developing a temporary program that will provide immediate cash and medical benefits for a specified period (12-24 months) to applicants who are highly likely to benefit from aggressive medical care during a recent congressional testimony (Barnhart 2003). She also announced that SSA is developing an Interim Medical Benefits demonstration project that will provide health insurance coverage to certain applicants throughout the disability determination process.

Presumably, SSA administrators (and other policy makers) could create other (multiple) disability tracks similar to those mentioned above. For example, SSA could create multiple tracks based on a person’s expected disability duration (e.g., six months, one year, more than one year) that would have shorter application wait times for shorter expected disability durations. These alternative tracks could provide more temporary

options that people with disabilities could use without the risk of permanently separating from the work force.

While these tracks could significantly improve the provision of return-to-work services to applicants by cutting down the time they have to wait to receive services, they will also significantly expand the pool of eligibles applying for and receiving benefits. In a time of increasing caseloads, it is important to recognize these potential tradeoffs (which we discuss in more detail below).

Allowance Options

Another option, which is similar to the pre-allowance option above, is to integrate multiple tracks into the current disability assessment process to provide a wider range of partial and full benefits. As noted in Figure 1, DDS already makes assessments for function capacities for certain applicants who reach Stages 4 and 5 of the disability assessment process. While the current process focuses on an all or nothing assessment, policy makers could modify the assessment process used by DDS agencies to allow for alternative partial permanent disability tracks. For example, policy makers could modify the current disability assessment process in Steps 4 and 5 to quantify a person's residual capacity in an attempt to provide partial benefits under SSI and/or DI.

Unlike the pre-allowances options mentioned above that create separate tracks to essentially shorten the disability application process, this approach would seek to modify the disability definition by defining alternative eligibility groups using the same (presumably long) application process. As above, this approach could significantly expand the pool of eligibles applying for and receiving benefits. While this approach recognizes the heterogeneity within the population and offers more cash benefit options that currently available under the SSI and DI programs, its effect on expanding

employment opportunities for disability program participants would likely be limited unless policy makers and researchers develop a system to more quickly process disability applications (and, hence, bring it closer to the early intervention models described above).

Post-Allowance Return-to-Work Options

A final method of providing services through alternative conceptualization is to modify disability categories to target return to work services after a person has qualified for SSI or DI. For example, policy makers could implement a triage approach where SSA and/or VR administrators attempt to target the most readily employable persons for rehabilitation services. Policy makers could target individuals with certain age, education, and impairment characteristics for these services. Alternatively, they could target services to impairment groups that might benefit from specific interventions, such as those with mental impairments (SSA is currently developing a demonstration to target this specific group). A radical approach would be to require those in a specific subpopulation targeted for services to report to rehabilitation and/or employment services (similar to the German system). An alternative, which is more consistent with previous outreach efforts in SSA disability programs, could be to provide additional financial incentives for voluntarily participating in rehabilitation activities and employment services.

Unfortunately, these strategies are likely to have minimal effect on the broad population given that the initial assessment of SSA disability programs continues to focus on an inability to work. Further, unless rehabilitation and employment services are mandatory for continued benefit receipt (which seems like an unlikely option), the passive nature of work programs will likely hinder participation. Nonetheless, as noted

above, it is possible that some of these strategies could represent potential cost savings to the government, as well as improve the economic status of some portion of SSA disability participants.

Possible Overhauls to the Current Definition

If we make the assumption that the U.S. wants to move toward a more work-focused public disability system, we need to consider the possibility of broad changes in the current programs. Below, we consider the implications of implementing in the federal public disability system some of the work-focused disability concepts discussed above. We recognize that these changes are sweeping and would require many legislative and policy changes for which this country may not be ready. However, given the clamor for a more work-focused definition, if the public really wants to make such a movement, it is necessary to consider major changes to the definition.

Acknowledging the Continuum of Disability

A movement towards a more work-focused definition would likely have to recognize the heterogeneity of the population with disabilities. As noted by Wunderlich, Rice, and Amado, (2002) “disability is a dynamic process that can fluctuate in breadth and severity across the life course and may or may not limit ability to work. Disability is not a static event because it is the adaptation of a medical condition in the environment in which one lives...The meaning assigned to the term (disability) depends on the uses to be made of the concepts” (p 1-3). The current disability conceptualization for SSA disability programs, however, is a static concept that assumes permanent disability status.

Many other public and private disability benefit systems recognize two key aspects of the heterogeneity within the population by employing multiple disability definitions that often change over time. First, these definitions recognize that applicants

have different capacities for returning to work at the time of application. Second, these definitions generally recognize that the need for rehabilitation and other support services may vary during initial and on-going assessments as a person's disability status changes. In some cases, particularly for those with mental illness disorders, the disability might only be episodic, and hence, not contained to a single time frame or disability severity. While there will always be applicants for benefits who have little or no residual ability to work (the so-called permanent disability of many systems), the current disability requirements for the SSI and DI programs do not attempt to capture those who might have even a partial residual capacity to work because it employs an all-or-nothing benefit structure.

Recognition of the continuum of return-to-work capacity as part of the definition of disability in the eligibility process allows for inclusion of the multiple concepts of disability severity, which might be time limited or episodic (particularly important for those with mental illness) (e.g., temporary benefits), or resulted in a limited (but not full) incapacity for work (e.g., partial benefits). This continuum essentially extends some of the two track models being implemented by SSA (e.g., early intervention) by adding more layers for eligibility. However, unlike the disability definition, the emphasis on the continuum for disability is generally more on a person's residual capacity for working, rather than a complete inability to work. For example, most programs delay the award of permanent benefits until an on-going assessment period, whereas SSA makes an award for permanent benefits during the initial assessment.

The diversity of the programs discussed above suggests that policy makers could develop a number of alternative mechanisms for implementing a work-focused disability

concept. In general, these concepts are centered around a phased in system of initial disability assessment, with more intensive return-to-work services up front, moving toward a permanent or partial-permanent system for those who are unable to return-to-work. The system could also include an on-going assessment process that also incorporates some of these features by allowing for some flexibility for participants to move into different states of disability status.

An even more radical notion that policy makers could explore would focus on placing program participants in their previous occupations, rather than any job with SGA (as is the requirements under Ticket). This requirement would change the nature of the disability assessment process, as well as the provision of return-to-work services to focus more specifically on the interaction between an impairment and a previous work environment. The German and Swedish systems use these notions in their disability process, though they also have far more employer involvement in the assessment and return-to-work process than is available in the US.

Emphasizing Rehabilitation and Work Supports

Another mechanism that could make a disability definition more work-focused, which was suggested by Growick (2002), is to tie benefit application with the provision of rehabilitation and/or supportive services. A stronger connection between these services and SSA disability programs represents a fundamental shift from the current disability definition because such a system must recognize that applicants who do receive these services do indeed have an ability to work. Under this revised system, an applicant would be evaluated for disability eligibility and return-to-work simultaneously. Presumably, this mechanism would speed the provision of the return-to-work services to SSA disability participants, and make SSA (or some other agency) a more “active”

(rather than passive) provider of these services. Unlike the early intervention model, participation in rehabilitation services for eligible participants would be mandatory. A more extreme version of this model is the rehabilitation-first model in the German system, where participants are required to participate in rehabilitation activities before applying for permanent benefits.

Integrating US Disability Programs

A final consideration for movement to a more work-focused public disability program in the US is the connection with the current WC and private disability cash benefit systems, as well other systems (VR, Medicaid and Medicare). While we have pointed to some aspects of these systems as options for the SSA disability programs, we have not discussed how they connect to the current SSA program. The current DI program functions as a “last resort” in some sense, after the WC and private disability systems. These two systems, in many instances, serve as the initial phase described above that provides rehabilitation services (sometimes through VR) and temporary benefits, and actively tries to return the person to work, similar to the European programs. If the person is unable to work, they can receive permanent benefits through these systems but also are often eligible to seek DI benefits (assuming enough insured work experience).

A broader work-focused public system could be structured to address this limitation in coverage. However, running “parallel” systems raises questions of substitution for those currently covered by WC or private disability. Employers and state WC systems would have an incentive to substitute the federally funded public system’s services and benefits for the benefits they provide. An example of a similar substitution effect is found in the public funding of health insurance benefits, which can lead to a “crowding-out” of privately funded (employer-employee) health insurance. Past history

in the universal health care debates suggests that the government does not want to substitute federal funds for benefits that would have been provided anyway in the absence of the federal program. Estimating the extent of such a substitution is difficult, but needs to be considered.

Another possibility is explicitly integrating a new federal system with the current work-focused benefit systems. Options for integration range from regulations on what system pays in what circumstances to a federal mandate that employers pay into a system for disability benefits with all workers covered. The current state WC systems serve as an example for mandated coverage of work-related disability, either through requirements that employers buy private insurance or pay into state-funded programs or some mix.

However, a major difficulty a publicly funded program that provides return-to-work services faces is how to involve employers. Returning to the same employer after disability is often the best solution for workers when they are able to do so with rehabilitation services. The worker has the specific job-skills for that employer and the employer has knowledge about the worker's general abilities. Under the current WC and private disability systems, many employers have discovered that they have an incentive in helping the employee return-to-work quickly. This limits the likelihood of paying permanent benefits to the employee and keeps the employer from losing any investment in training they have made in that employee. Also, the employer has the specific knowledge of the job and circumstances that can help make return-to-work services more effective.

Creating a public system that retains this employer participation by creating appropriate incentives is important for increasing the effectiveness of return-to-work

services. Many European countries have partnerships between employers and the social insurance systems. Within these partnerships, employers and social insurance agencies collaborate on interventions to facilitate the return to work. In private disability programs, insurers use disability case management as a mechanism for working with participants and employers in ensuring a smoother return to work. As an extreme example in Germany, employers have to fill quotas for hiring disability program participants. These quotas ensure a strong link between public program return-to-work efforts and the private sector.

Even if the WC, private disability, VR and SSA systems could be better integrated, potential holes in the safety net exist for many low-income adults who do not have access to temporary benefits (Wittenburg and Favreault forthcoming). Many low-income adults with disabilities do not have access to WC or private disability insurance because they are not employed or experienced disability onset outside of a job (e.g., childhood disability onset). Consequently, SSI benefits likely represent the primary benefit option for many low-income adults. By comparison, as noted above, the European systems tends to offer more short-term benefits, particularly for low-income adults and those injured away from the job, because each country has a universal program of means tested benefits (for low-income adults), a mandatory set of temporary sickness programs for employers (that covers work and non-work related injuries) and broad access to health care through combinations of both public and private programs (Aarts and DeJong 1996).

To address this gap, a very different option from that discussed above is to replace WC and private disability programs with a set of programs funded completely by the

government to cover all adults. Presumably, this comprehensive disability program could provide temporary, partial, and permanent benefits similar to those in European programs or in existing private disability and WC programs. Within this program, social insurance agencies could decide on whether employers have a specific role in funding or supporting (e.g., quotas) these services.

In any major system overhaul, important questions remain regarding the efficiency and equity of new programs. For example, who should be eligible for services? Who should pay for these services (government vs. employers)? What services should be provided? When should services be made available? Where should the programs be implemented (i.e., should there be a national program or should states have a say in these programs similar to WC)?

Whether any of the aforementioned options are political or financially feasible is up to debate. However, they do illustrate the potential lengths that policy makers would have to use to expand disability coverage and options to the entire population.

Costs and Benefits

In general, the changes both within and outside of SSI and DI programs mentioned above suggest increasing the size of the eligible pool, devoting more resources to rehabilitation efforts, or both to move towards a more work-focused system, which would have significant cost implications in the short run. Modifying the disability definition to allow for a more diverse set of options at the initial and on-going assessment period will increase the number of persons potentially eligible for services, relative to current SSA programs. While somewhat dated, Aarts and DeJong (1996) found that spending on disability benefits (not including rehabilitation or other benefits) as a percentage of Gross Domestic Product (GDP) in 1991 was between two to six times

higher in four European countries (Germany, England, Sweden, and Netherlands), with the Netherlands spending the most on services. As noted above, the Netherlands also generally had the most disability eligibility categories, though Aarts and DeJong note that part of the high spending in Netherlands was due to the accountability of program administrators.

In addition to increasing the number of beneficiaries, there are costs to providing work services. Even if SSA does not directly provide services, administering a work-oriented program through contracts or vouchers (as under Ticket to Work) adds substantially to the current benefit program. One example of added program costs is the movement of the public welfare system under the Temporary Assistance for Needy Families (TANF) in the US from a purely cash benefit program to one that also provides work-related services. United State's Secretary of Health Of Human Services Tommy Thompson has noted that of moving from a cash benefit program to one that emphasizes work services requires greater up front resources. Investing in helping people return-to-work can require significant resources. Even if a work-focused disability system does not offer full income-support benefits to those receiving work services, the additional expenditures are likely to be substantial.

The tradeoff of upfront costs, however, must be weighed the possible benefit of shorter durations in a more focused return-to-work system. Inevitably, some people who receive essentially lifetime benefits under the current system would return-to-work in a program that focuses on work. Presumably based on experience in other programs, some people would enter the system sooner, limiting the time they are away from work and increasing the likelihood of returning to employment. Additionally, it is possible that

more of those who are entering the SSA disability programs now would return-to-work because the application process would not have the current strong emphasis on proving inability to work. Applicants faced with initial assessments and follow-up services on what they can do in regards to returning to work might be more likely to do so than those who have had to spend large amounts of time and energy proving they cannot work.

Other costs and benefits that are likely immeasurable must also be weighed into such decisions. For example, such changes might also entail other societal benefits that come from a stronger attachment to the work force by a broader population, such as increased participant self-esteem and a stronger integration of people with disabilities into the mainstream. However, if these programs grow too large, some might question the efficiency and equity of these programs.

Research Findings

Unfortunately, we do not have evidence on the extent of either costs or savings that any of the aforementioned changes would have for SSI or DI. While evidence from the Ticket to Work program and its evaluation may provide more information on this topic, estimates of the entry-effects of an expanded definition and the lifetime savings of return-to-work services goes well beyond these measures. Evidence from other programs on the effects of specific provisions is also limited for the purposes of making changing to the current SSA system. While some international and private disability studies have documented some successes in return-to-work strategies, these programs operate in very different social contexts and/or with very different target populations. For example, it is difficult to compare the outcomes from European programs to those in the US because most of these countries have a universal health care program. Finally, even attempting to estimate post-allowance interventions within SSA programs is difficult because research

on the extent to which rehabilitation services can return persons with disability to work in SSI or DI is limited (Berkowitz 2002).

Although difficult, it is critical that efforts be made to make plausible estimates of these costs and savings for specific program structures, at least to provide some parameters for policy makers considering moving toward a work-focused system. These alternatives should be tested using experimental designs that will inform policy makers on the advantages and limitations of alternative approaches.

The best mechanisms for testing these mechanisms are within the context of SSA demonstration programs, similar to the early intervention efforts. If policy makers are serious about creating a more work focused approach, they might also suggest that collaborations between SSA and other disability systems (VR, WC, and private disability) or employers in searching for mechanisms to hasten the delivery of return-to-work services to a specific target population of people with disabilities.

CONCLUSION

Because the current definition of disability used to make SSI and DI eligibility determinations focuses on an applicant's inability to work rather than on their capacity to work, it is generally at odds with a strong return-to-work focus. Policy makers originally developed the disability concept to provide cash benefits to a "deserving" population of people with disabilities. As perceptions of disability have changed over time, particularly since the passage of the ADA, an important question is whether the current disability definition needs to be modified or completely overhauled to keep up with more modern disability conceptualizations.

A major issue in moving towards a more work-focused definition is ensuring that services are available to those immediately following disability onset. However, people might have to wait for years before receiving such services while receiving SSA disability benefits, thereby diminishing their impact.

The disability concepts from other programs tend to employ a more dynamic definition that allows for changes in disability status over time and different environments. Unlike the SSI and DI programs that assess permanent disability status at the time of application, other programs tend to use changing disability concepts during initial and on-going assessments for program eligibility. In general, these other systems have a more continuous measure of disability that first focuses on an applicant's residual capacity at initial assessment and then moves to different levels of severity after a participant has shown a continuing inability to work during on-going assessments. Consequently, the disability criteria used at initial assessment are often different from those used during on-going disability reassessments. Another major difference is that while other systems have a permanent disability measure, they often employ different levels of this definition, including partial and full disability benefits, depending on a program participant's impairment severity and/or inability to work. Finally, the definition of work itself and the role of employers also provide insights on possible modifications to the disability definition for the SSI and DI programs, which focuses on substantial gainful activity (SGA), rather than employment in a specific occupation.

Although we believe big changes are necessary to implement a major shift in program focus, there are possibilities for creating a more work-focused definition within the current system. These changes include interventions that target potential participants

before applying for benefits (e.g., early interventions, temporary benefits), through the current application process (e.g., partial benefits), and after qualifying for benefits (e.g., impairment specific populations). In fact, the SSA is currently developing multiple demonstrations that provide benefits during both the pre- and post-allowance periods. However, because the SSI and DI programs tend to be a last resort for many applicants, the provision of return-to-work services might not be enough to affect the majority of the caseload during the pre-allowance or post-allowance periods.

The alternative is to break away from the current all-or-nothing benefit structure of the SSI and DI programs and move towards a continuum of disability that is similar to other programs. Several options within this continuum will influence the size of the population effected, as well as the costs of providing services.

The magnitude of such a change is potentially very significant in both costs and benefits. The costs of an expanded eligible population and provision of rehabilitation and work support services are potentially very large to the Social Security trust fund, in the case of DI, and the general fund of tax revenues, in the case of SSI. This change would also represent a shift in program focus for an agency (SSA) that has historically focused on only providing cash benefits. Another major issue is addressing the role of private sector employers and how to integrate an expanded public system with existing WC and private disability programs are also complicated and critical questions. However, putting these costs in context of potential benefits to society in the form of increased attachment to the labor market among people with disabilities is also quite significant.

In general, policy makers must struggle with the real costs of creating a more expansive set of disability eligibility criteria that focus on work (which will significantly

increase the size of the caseload), with the other costs of having an all-or-nothing disability definition. Unfortunately, we do not have enough available research to predict the size of the population who might become eligible under alternative disability conceptualizations or the costs and benefits from such a change.

We realize that the political will required to make such sweeping program changes- both in terms of legislative changes needed and commitment of public resources- will be difficult. However, if policy makers and the US public are truly serious about moving towards a work-focused public system that addresses people's abilities to work, then these major system changes and implications need to be thoroughly considered. Moving from our current set of disability programs towards a more work focused public disability system could fundamentally transform the way our society thinks about disability and work. It is a very complex proposition requiring a lot of thought and study. Unfortunately, there are no simple answers.

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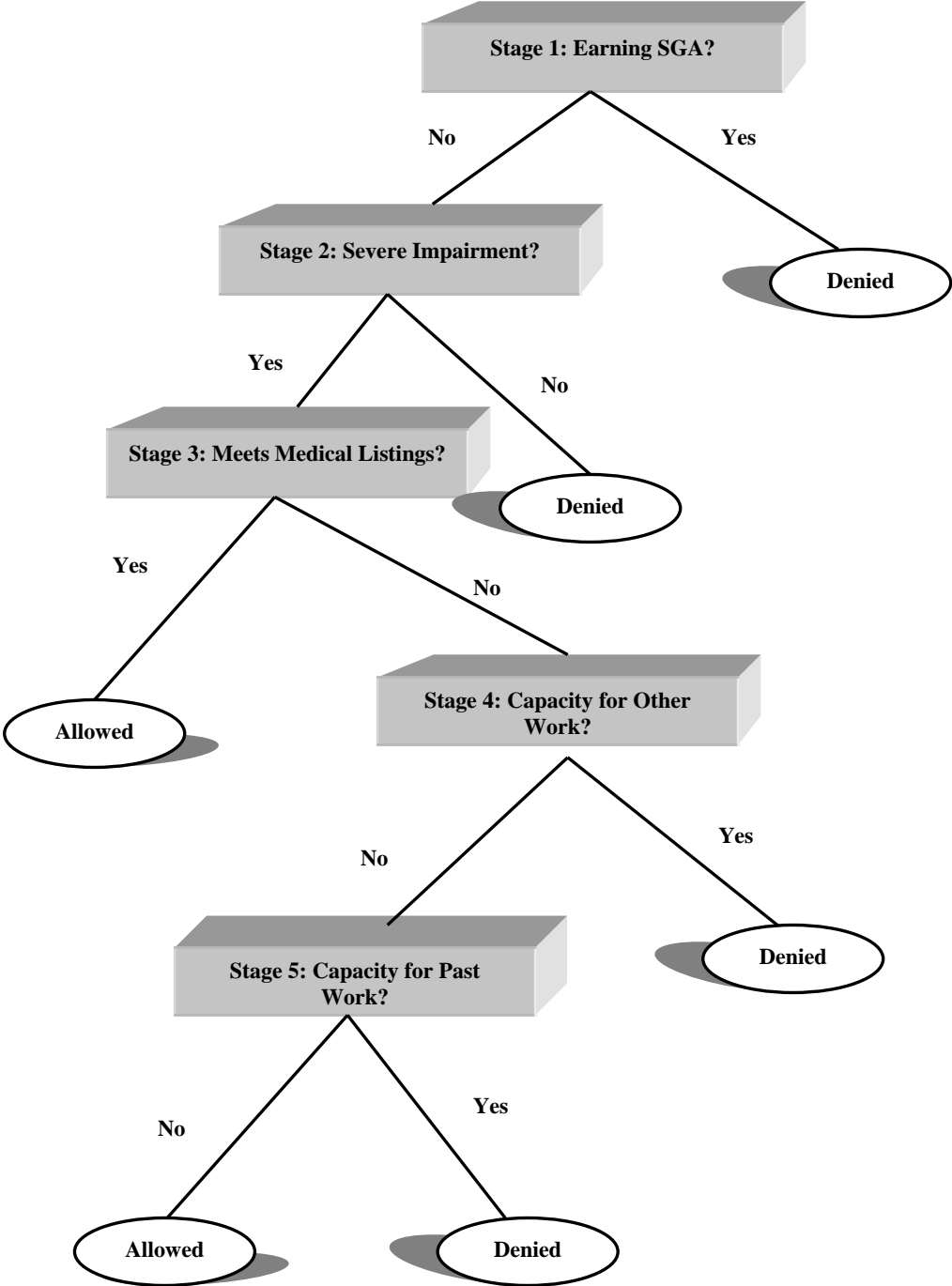
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Figure 1: SSA Disability Determination Process



Source: The Review of Economics and Statistics, May 2001; A Structural Model of Social Security’s Disability Determination Process; Jianting Hu, Kajal Lahiri, Denton R Vaughan, and Bernard Wixon, page 349.