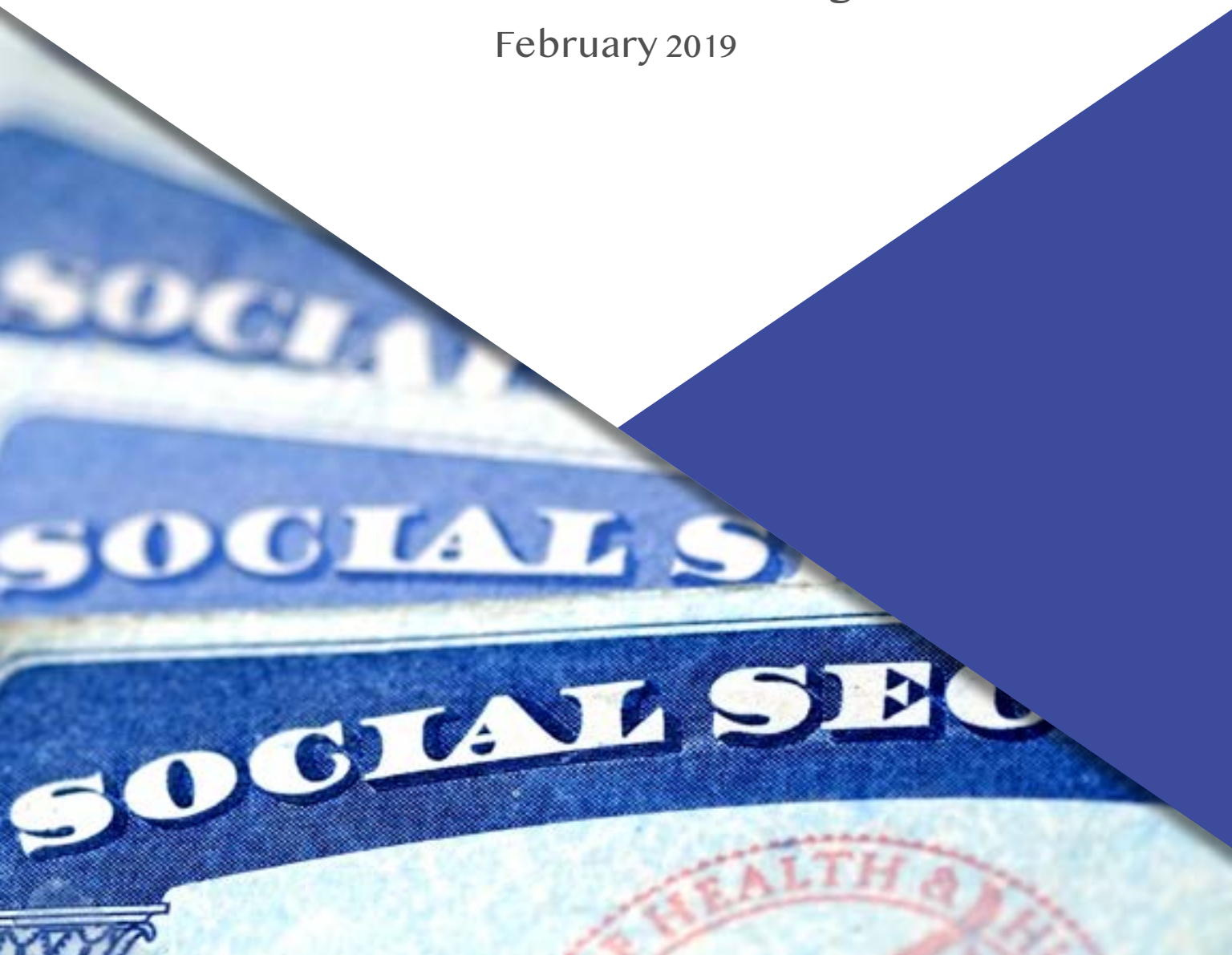




# Developing Social Security Disability (SSDI) Reform Demonstrations to Improve Opportunities and Outcomes Based on Lessons Learned

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# Abstract

The Bipartisan Budget Act of 2015 devoted short- and long-term resources to continue and to modernize the Social Security Disability Insurance (SSDI) Program. At the time of the act, the fund was roughly one year from depletion. Over the short run, Congress reallocated a portion of payroll taxes from the Old-Age and Survivors Insurance (OASI) Trust Fund to the Disability Insurance (DI) Trust Fund to allow the continued payment of full benefits under the current system. That effort has bought the SSDI program time necessary to modernize. Sections 821–23 of the Bipartisan Budget Act granted expanded authority for the Social Security Administration to engage in demonstration projects aimed at improving the opportunity for disability beneficiaries to remain attached to the labor force or return to work. Even in lieu of the budgetary issues, modernizing this program would be a good idea, and piloting reforms is an important part of that process. However, while there is strong interest in pilots, there is also strong skepticism in them given prior experiences with SSDI demonstration projects. U.S. government agencies and the research community generally agree the demonstration process has suffered from weak design and execution. Thus, strong interest in pilots now includes some basic questions: which agency or entity should design them, who should administer them, how to ensure adequate data collection, whether participation should be voluntary, and when pilots should be expanded or discontinued. Fortunately, past demonstration projects and the program design literature offer important lessons. In this paper, we target these lessons to our own design of demonstration projects to modernize the SSDI program in the window of time currently granted by the 2015 Bipartisan Budget Act (BBA). We intend that the tenets we distill are fundamental enough to be applicable beyond this window.

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*The SSDI Solution Initiative is a project of the Fiscal Institute at the Committee for a Responsible Federal Budget. The views expressed in this paper represent those of its authors and not organizations or individuals affiliated with the authors, the McCrery-Pomeroy SSDI Solutions Initiative, or the Committee for a Responsible Federal Budget.*

Permanent Link: <http://www.crfb.org/project/ssdi/developing-social-security-disability-ssdi-reform-demonstrations-improve-opportunities>.

# I. Introduction

There is both strong interest and strong skepticism in pilots and demonstration programs for the Social Security Disability Insurance (SSDI) program. The Government Accountability Office (GAO), Social Security Administration (SSA), and the research community generally agree the demonstration process has suffered from substandard design and execution.<sup>1</sup> There are many questions surrounding future protocols, such as which agency or entity should decide what to implement, who should administer them; how to ensure adequate data are collected from participants as they engage and disengage at various points, who should perform the subsequent review and analysis, whether participation should be voluntary, and when pilots should be expanded or discontinued. Past demonstration projects and the program design literature both offer important lessons going forward on what works and what doesn't work. We bring these lessons to bear on our own design of demonstration projects to help beneficiaries engage work. These policy recommendations target reforms for the SSDI program in the window of time currently granted by the 2015 Bipartisan Budget Act (BBA). Being pragmatic, we target current issues; being policy-process oriented researchers, it is our intent that the tenets we offer will be applicable to project design and execution well beyond the BBA window.

Primarily through a temporary payroll tax reallocation, the 2015 BBA avoided a pending 2016 trust fund depletion and has extended the exhaustion of the disability trust fund from an initial estimate of 2022 up to 2032 under the assumptions of the 2018 Social Security Trustees Report. That is good news; however, some continue to feel that the 2032 estimate is highly uncertain and thus possibly over optimistic. Whatever the case, the time from now until 2032 is still short when considered against a backdrop of two decades in which research and demonstration projects have failed to identify robust paths to work for SSDI program participants.

The 2015 BBA calls for demonstration projects that help beneficiaries engage in work. Currently, the SSDI program is a reasonably well-designed system of policies and procedures meant to support those who cannot work during a longer-term disability.<sup>2,3</sup> However, changes in health, medical technology, and the workplace increasingly offer some potential applicants and some participants a better opportunity to support themselves through work than the current program does. It is somewhat tragic then that demonstrations of program components attempting to support engaging work have not lived up to promise of helping those who can do better, to do better.<sup>4</sup> To be fair, reforming the SSDI program in this way

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- 1 For example, see: "A Stronger Social Security Disability Program Opens the Door for Early Intervention," Smalligan and Boyens, The Urban Institute. October 2018. [https://www.urban.org/sites/default/files/publication/99249/a\\_stronger\\_social\\_security\\_disability\\_program.pdf](https://www.urban.org/sites/default/files/publication/99249/a_stronger_social_security_disability_program.pdf), "Demonstrations to Promote Work among Disability Beneficiaries Likely to Produce Limited Results," Kathleen Romig, 2016. Center on Budget and Policy Priorities. <https://www.cbpp.org/research/social-security/demonstrations-to-promote-work-among-disability-beneficiaries-likely-to>, and "The Ticket to Work Program," Social Security Administration, Office of the Inspector General. A-02-17-50203. September 2016. <https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-02-17-50203.pdf>.
  - 2 For example, see: Kathleen Romig, "Policy Basics: Social Security Disability Insurance," Center on Budget and Policy Priorities. Updated July 30, 2018. <https://www.cbpp.org/research/retirement-security/policy-basics-social-security-disability-insurance>.
  - 3 Note: Technically, to be eligible for disability benefits, a person must be unable to engage in substantial gainful activity (SGA). The monthly SGA amount for statutorily blind individuals for 2019 is \$2,040. For non-blind individuals, the monthly SGA amount for 2019 is \$1,220. See: <https://www.socialsecurity.gov/oact/cola/sga.html>.
  - 4 For example, see: "The Ticket to Work Program," Social Security Administration, Office of the Inspector General. A-02-17-50203. September 2016. <https://oig.ssa.gov/sites/default/files/audit/full/pdf/A-02-17-50203.pdf>.

takes a great deal of consideration. The program does a lot of things quite well and interacts with other programs in important ways that must be considered when designing opportunities to engage work. These include Medicare, Medicaid, the Social Security retirement program, and the more recent Americans with Disabilities Act (ADA) of 1990 and Affordable Care Act (ACA) of 2010. These last two programs are newer, and we are still learning how they may improve or otherwise alter work motives among SSDI applicants and awardees. There are many program interactions to consider when designing and testing reforms, which program modernization must address. Further, to best succeed, program changes will need to be field tested.

Research programs should be designed and evaluated properly; design should be informed based on the lessons learned from previous research and demonstrations. We believe these insights are immediately necessary, as SSA must begin fielding new demonstrations very soon. With limited time, SSA must consider what sorts of demonstrations can be fielded simultaneously (in parallel), which must be sequenced, and how to effectively design and administer such demonstrations. When thinking about time-related pressures, we appeal to minimizing project scopes in ways that improve efficiency without sacrificing the robustness of findings. Doing this requires pre-planning, via Power Analysis.<sup>5</sup> Project designers need to think about what minimum impact a demonstration project needs to achieve in order to contribute a meaningful reform; this is what researchers will need to be able to detect.

Notably, program changes with large impacts require smaller samples to detect, whereas to detect slight changes or improvements, larger samples are required. Especially for voluntary research and demonstration projects, the time to engage a large sample is an important investment. Consider that some tested reforms will have larger and some smaller changes in participant behavior as a goal, based on differences in the minimum necessary contribution of a reform. For those where the largest goals are sought, it may make sense to test several variants of a program change at the same time with smaller samples, and then move forward with successes from the batch of variants. This may be somewhat counterintuitive because it means that program reform components requiring the largest behavioral changes in order to be meaningful can be tested in smallest populations. Because big changes for these components are most necessary, and because results are unsure, parallel testing of variants in these small batches further makes sense.

Based on our review of previous research and demonstrations and the program design literature, we define a suite of new projects and a related sequencing protocol to inform policymakers in the window of time allotted. We further work beyond this minimum and consider what projects might afford continued advancement of the program given the changing nature of work in our evolving society. We will address the role for a permanent program component devoted to research and development and offer principles for evolutionary improvements to the SSDI program at minimum resource cost.

The 2015 BBA acknowledged the poor financial state of the SSDI Trust Fund, which at the time was roughly one year from being depleted. Congress reallocated some portion of the payroll tax funds from the

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<sup>5</sup> In experimental design, “power analysis” is term used for the process of determining the sample size required to detect an effect of a given size with a given degree of confidence, or the probability of detecting an effect of a given size with a given level of confidence, under sample size constraints. Many statistical software packages have a power analysis function. For more information, see: <https://stats.idre.ucla.edu/other/mult-pkg/seminars/intro-power/>.

Old-Age and Survivors Insurance (OASI) Trust Fund to the Disability Insurance (DI) Trust Fund to allow the continued payment of full benefits under the current system through fiscal year 2022, as estimated at the time of the act’s passage.<sup>6</sup> According to the most recent report of the Social Security Board of Trustees, the DI Trust Fund will now be depleted even later, in 2032, slightly over one decade from now. Acknowledging the financial and programmatic challenges of our nation’s current Disability Insurance design for both beneficiaries and taxpayers, Congress took the opportunity to offer SSA resources to test projects that promote workforce attachment. Specifically, sections 821–23 of the BBA granted authority to engage in demonstration projects under “Subtitle B—Promoting Opportunity for Disability Beneficiaries.”

In a series of earlier writings (Fichtner and Seligman 2014, 2015, 2016a, 2016b, 2018), the authors of this paper detailed tenets for disability insurance reforms that are designed to integrate well with (1) broader U.S. Social Security retirement program reforms – which are themselves necessary ahead of 2034 (the date currently estimated for the depletion of the OASI Trust Fund), (2) other developments in the U.S. social safety net since 1965 – specifically the Americans with Disabilities Act of 1990 and the Patient Protection and Affordable Care Act of 2010, (3) opportunities for reintegration of disability insurance beneficiaries into the workplace, and (4) lessons from other nations’ disability insurance reform efforts. In this paper, we consider additional lessons learned from demonstration programs in general as well as tenets for the design of demonstration projects that can test some of these ideas. We also consider whether in retrospect some of these studies could have been broken up into smaller components, or whether sample sizes could have been amended to yield results more efficiently.

Even given the extended timeline recently offered by Social Security Administration actuaries, the relatively short window of time from 2018 to 2032 suggests that the design and implementation of testing cannot be put off. Congress is depending on the data and experiences accumulated through earnest work to evaluate various reform proposals – as it has made clear by the resources it has allocated to program experimentation activities.

Proposing program reforms without testing them and exploring the associated nuances of practiced implementation can be a recipe for failure, not only in terms of budget savings but more importantly in terms of the social benefit the program yields to society. A suboptimal system harms those it fails to serve, be it before or after reform. Those the SSDI system is meant to serve are defined as disabled, and they deserve a program that supports their convalescence as well as their rehabilitation. A better-designed program will do both. Hence, a goal of this paper is to contribute to the delivery of more successful executable designs. There will, of course, be many important and detailed aspects of demonstration project design that this piece will not and cannot address because the context of specific field research conditions is not fully known to us at this time. Rather than dabbling in false precision, we will lay out principles for the design of a suite of demonstration projects. Here is a summary of these principles:

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6 The 2015 BBA legislated a payroll tax reallocation from the OASI Trust Fund to the DI Trust Fund, which resulted in a positive cash flow position for the SSDI Trust Fund until 2019 and extended the solvency of the DI Trust Fund until 2022 (as estimated at the time of the BBA’s passage). The estimate for DI Trust Fund depletion has now moved to 2032, according to the 2018 report of the Social Security Board of Trustees. The statutory payroll tax allocation is 15.3% (12.4% OASDI, split 10.6% OASI and 1.8% DI, along with 2.9% HI), and temporary payroll tax allocation as a result of the 2015 BBA for 2016–2018 of a 0.57 percentage point reallocation is 15.3% (12.4% OASDI, split 10.03% OASI and 2.37% DI, along with 2.9% HI). Note that there is also an additional 0.9% for HI (Hospital Insurance) under the Patient Protection and Affordable Care Act for investment income of high earners – this was not affected by the 2015 BBA. Bipartisan Budget Act of 2015, Pub. L. No. 114-74, 129 Stat. 584.

- 1) Demonstration projects should test things that are uncertain. In other words, testing should be limited to changes or features that have not been demonstrated to succeed or fail in accomplishing their objectives in the past. This will make the best use of lessons learned from past work and of the time remaining.
- 2) Demonstrations should limit the number of changes per project whenever possible and should otherwise be designed so that it is easier to determine the contribution of each change to the program and those it serves.
- 3) Demonstrations should be run in parallel when possible. This will make the most of limited time and will hold baseline economic conditions as constant as possible for the sake of facilitating more controlled comparisons.
- 4) When demonstrations cannot be run in parallel, they should be sequenced so that knowledge gained from testing prior features can be built upon. The order of operations is important to consider – sequence has consequence.
- 5) Demonstrations will necessarily rely on volunteers, as prescribed in the law, which may make their results less generalizable. However, pure experimentation is not a requirement in order for results to be generalizable. Matched randomization of participation among the willing can help inform the debate and provide useful evidence for national program design and rollout. Notably, if estimated impacts are expected to be larger in a voluntary population, then smaller samples may be needed. Of course, the opposite is true as well. If voluntary groups are less likely to carry through with exercises in one or another reform pilot, secure in the knowledge they can revert to older practices, then estimated impacts may be lower, and sample sizes should be higher to detect smaller impacts in the testing phase. Regardless of the direction of impact from program to program, once reforms are broadly implemented, policymakers and administrators must be prudent regarding estimated improvements in service benefits and service costs, especially as reforms initially scale up.

We place these five basic principles for the organization of demonstration projects here, acknowledging that they are relatively straightforward and hoping that they are easy to keep in mind as one goes through the reforms we next describe. In our previous work, we emphasized three main proposed program reforms for Disability Insurance:

- 1) Changing the structure of the program to include both temporary and partial disabilities.
- 2) Integrating existing employer-based disability insurance programs into the national disability insurance system, and supporting the expansion of such programs.
- 3) Integrating other federal social support programs into an overall system designed to support the disabled in various ways, including by promoting their recovery and rehabilitation to *meaningful* workforce participation. By “meaningful” we mean participation that enhances participants own welfare and that participants themselves understand as being to their benefit.

In our work to date we have often pointed out that these three reform channels can work as standalone reforms, or they can be integrated – and our previous research offers a nice context for dividing and

conquering the work of testing program reform features over the limited time ahead, before the estimated DI Trust Fund depletion date.

The rest of this paper proceeds as follows: In Section II we provide a review of the successes and failures of selected research and demonstration projects. Following the literature review, in Section III, we consider how lessons learned and the five broad principles we introduced above can come into play when designing and fielding projects targeting important aspects of our three proposals for reform between now and 2032. We then propose SSDI demonstration projects along these principles in Section IV. Section V summarizes what we have discussed and offers some public policy implications. Section VI concludes by emphasizing again that these suggestions are not meant to be a detailed blueprint but rather are meant to serve as an outline based on fundamental principles.

## **II. Review of SSDI Program Basics and Prior SSDI Demonstration Projects**

This section is meant to orient the reader in three ways. First, working through a brief overview of the program evaluation literature, we summarize what makes a good research or demonstration project. Second, we provide the reader with the basic necessary background on the SSDI program before we transition into a discussion of previous SSDI research and demonstration projects. Third, we discuss previous SSDI research and demonstration projects. In Section III, we will propose a suite of demonstration projects that map to proposals to accommodate temporary and partial benefits.

### **Program Evaluation, an Overview**

The program evaluation literature is fundamentally built around the idea of controlled experiments. For example, in medical drug studies a group of people with a particular illness or medical problem are identified, and volunteers from this group are separated at random into two groups. One group, a treatment group, is given a new drug that hopefully will cure their illness. The other group, the control group, is not given the new drug. Otherwise, both groups are treated the same. This design allows a test of whether the drug has any outcome effects on the treatment group holding other factors constant. In public policy, a demonstration project is designed to show how a particular problem may be addressed through a specific policy change or intervention. For example, we may wonder whether job training has any effect on workers' ability to get rehired after being laid off. A demonstration could be designed with a group of people laid off from a specific factory who volunteer for retraining; one group would be randomly assigned to the treatment group and receive job training, while the other group would be randomly assigned to the control group and placed on a waiting list. The results of both groups would then be studied to see if job training had any outcome results on employment.

In general, randomized controlled trials (RCTs) are considered the gold standard when conducting program evaluations or demonstration projects. RCTs are favored due to their ability to generate strong confidence that intervention "X" did (or did not) cause "Y" outcome; additionally, RCTs appear relatively straightforward. Assigning people randomly into either a control or a treatment group is intended to control

for other factors that might bias or influence the outcomes of the study. That said, RCTs are not always easy to develop or implement, and their cost can be prohibitive. Further, due to legal or other constraints, RCTs are sometimes impossible. As noted by the U.S. Government Accountability Office (GAO): “The program evaluation literature generally agrees that well-conducted randomized experiments are best suited for assessing effectiveness when multiple causal influences create uncertainty about what caused results. However, they are often difficult, and sometimes impossible, to carry out” (GAO 2009).

Clustered RCT is another possibility; however, there are challenges with this approach as well. In a clustered RCT design, the treatment is administered at a specific site, such as an SSA field office, subset of zip codes or a Metropolitan Statistical Area (MSA), or even at the state level. However, as described in Donner and Klar (2004), there are many challenges with clustered RCT ranging from ethical to administrative and extending to significant losses of efficiency when employing outcome data in statistical exercises.<sup>7</sup> In short, clustered designs have their limits.

Acknowledging such limits is important, though all need not be lost. As we will discuss later in this paper, pure randomization is not necessary for an effective and generalizable demonstration, and the lack of a pure RCT trial should not preclude the design and launch of a demonstration project. Randomizing volunteers can also provide useful information to researchers and policymakers. Regardless, any pilot or demonstration must have a realistic timeline for implementation and evaluation, define a clear objective, set both beginning and endpoints, and ensure that the right questions are being asked and evaluated. Lastly, as we will address later in the paper, even after all of the proper scientific program evaluation boxes have been checked, many demonstration projects fail in their implementation due to a lack of support from agency leadership. We argue later in this paper that institutional and agency culture also need to be taken into account when designing research and demonstration programs. In fact, GAO (2003) has identified traits shared among agencies that have an effective evaluation culture: a commitment to self-examination, data quality, analytic expertise, leadership, and collaborative partnerships.

While the reports mentioned in the previous two paragraphs work to summarize the state of the literature, an example of a successful demonstration project with a meaningful program evaluation component will help illustrate what makes for a good and testable project.

The Centers for Occupational Health and Education (COHE) were created by the State of Washington’s Department of Labor and Industries (L&I) to improve medical recovery and the probability of a return to work for the State’s Workers’ Compensation (WC) claimants. L&I reached out in advance and worked in collaboration with business and labor organizations and community activists and leaders to develop the program. Further, L&I engaged a research team at the University of Washington to develop and evaluate the program.<sup>8</sup>

According to a report by Mathematica, “COHE was designed to address the many behavioral bottlenecks that can stand in the way of achieving optimal medical recovery and return to work outcomes for WC claimants; the intent is to ensure maximally effective use of services and supports that were available in the absence of COHE, not to provide fundamentally new services and supports.” Further, “. . .pilot testing

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7 <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC1448267/>, accessed November 7, 2018.

8 <https://www.gocohe.com/COHE-Project-History/>, accessed August 15, 2018.



that began in the early 2000s has demonstrated that COHE substantially reduces lost work time and long-term disability for WC claimants while more than paying for itself through lower WC expenditures.” (Stapleton and Christian 2016).

A good pilot project is more than a good idea coupled with luck. The work involved in COHE has been considered a success as a result of several important contributing factors: agency leadership, consultation with stakeholders, a community-based approach to program development, and thought to the design and testing of the pilot from the beginning. Furthermore, clearly articulated goals were established.<sup>9</sup> Only after piloting and evaluating COHE, which took several years, did the State of Washington then consider additional related policy proposals for testing.

Noting the success of COHE, the U.S. Department of Labor funded research to consider whether COHE should be expanded (Stapleton and Christian 2016).<sup>10</sup> COHE was successful in helping people with medical conditions that are job-related and fall under the State’s Workers’ Compensation program. An expanded pilot could test whether COHEs could be integrated with other state-level support systems for workers with medical conditions that are not compensable under the State’s WC system. Stapleton and Christian (2016), examined whether such an expansion is feasible and how to design a pilot to test the idea. The authors also noted that “Given the significant fiscal benefits to the federal government of increasing workforce retention of workers with significant medical problems—especially reductions in SSDI and Medicare expenditures—and increases in income and payroll tax revenues, the federal government has a considerable financial stake in conducting a pilot.”

## Review of the SSDI Program and Some Proposed Reforms

Under the current SSDI program rules, you are either disabled or you are not. A person suffering from frequent bouts of debilitating pain who is able to earn more than \$1,180 a month is not “disabled” and is not eligible for benefits – nor is a person who cannot work even part time but who is expected to recover in less than one year.<sup>11</sup> There is no allowance for a “partial” or for a “temporary” disability. This binary, all-or-nothing approach to disability does not reflect the reality that many with disabilities are capable of working and willing to work and that others expect a full recovery from debilitating conditions in a relatively short time.

This binary approach also raises the stakes for the disability determination process because many determinations require subjective judgements about applicants at a moment in time meant to forecast their ability to work over long time-horizons. Although DI recipients can technically leave the program of their own accord through a return to work or by way of an SSA-initiated reevaluation, in practice

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9 <https://www.gocohe.com/COHE-Project-History/>, accessed August 15, 2018.

10 See also, Department of Labor, Research and RETAIN Demonstration Projects, <https://www.dol.gov/odep/topics/SAW-RTW/how-to-apply.htm>, accessed November 29, 2018.

11 “To be eligible for disability benefits, a person must be unable to engage in substantial gainful activity (SGA). A person who is earning more than a certain monthly amount (net of impairment-related work expenses) is ordinarily considered to be engaging in SGA. The amount of monthly earnings considered as SGA depends on the nature of a person’s disability. The Social Security Act specifies a higher SGA amount for statutorily blind individuals; Federal regulations specify a lower SGA amount for non-blind individuals. Both SGA amounts generally change with changes in the national average wage index.” The monthly SGA amount for statutorily blind individuals for 2018 is \$1,970. For non-blind individuals, the monthly substantial gainful activity (SGA) amount for 2018 is \$1,180. (SSA, n.d., “Substantial Gainful Activity.”)

instances of DI beneficiaries leaving the program through either the self- or SSA-initiated channels are relatively rare in any year. Over longer periods, suspension and terminations generated by returns to work occur at greater levels as described in Liu and Stapleton (2011).<sup>12</sup> This speaks to the importance of long observation windows for even narrowly focused projects. Given the value of longer observation periods, demonstrations should be fielded sooner than otherwise would be necessary.

In previous work we have pointed out that temporary and partial disability awards would better afford opportunities for rehabilitation, improving the subsequent quality and productivity of the workforce commensurately. As we envision it, both to address challenges faced by the current determination system and to address the system's shortcomings in accommodating temporary and partial disabilities, we have proposed modernizing the program so that *all* future initial awards are temporary and *some* are partial.

Though the assessment of ability to work can be difficult, a large and growing literature suggests that some portion of disability beneficiaries may have some capacity to work. For example, in a review of the literature, Yin (2015) “concluded that a nontrivial proportion of disability applicants and beneficiaries are able to work to some extent.” Further, Yin cites several studies suggesting that “around 20 percent of DI awardees are partially disabled or not disabled, and have residual work capacity.”

It is important to highlight that under our previous proposals while all new awards would be temporary, they could be continued. Further, the program design is intended to protect beneficiaries by guaranteeing them a timely continuing disability review (CDR) for medical improvement and functional ability to work. A beneficiary's benefits could not be canceled due to SSA's inability to administer a timely review. Proper funding of SSA's CDR process is integral to the success of any temporary and partial disability insurance system. In essence, the temporary award system we propose is similar to the current program albeit with a better functioning CDR process and accommodation for partial awards – to enable those that can continue some work to remain attached to the labor force. When considering partial awards, the CDR process is again valuable. CDRs would allow awards to be increased for chronic conditions that become more debilitating over time and decreased whenever functioning improves.

Changing the SSDI program to make all awards temporary would change the motivation of both the recipient and the CDR administrator. Under the current model, in lieu of a review, the recipient is able to keep the award. This likely motivates program recipients to avoid a CDR, which can only bring bad news and anyway has costs to them. Making CDRs mandatory for benefit continuation would change this dynamic.

A shift from the current audit framework to a continual assessment framework would motivate individuals to seek a CDR and to begin planning for a return to the workforce when they are inclined to believe that

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12 In December 2015, a total of 10,806,466 people received Social Security Disability Insurance benefits, of whom 8,909,430 were disabled workers. In 2015, fully 130,512 beneficiaries (approximately 1 percent) had their benefits terminated for not continuing to meet the plan's requirements, including people whose benefits were terminated because of medical improvement or because they were earning above the substantial gainful activity amount. (See SSA 2016, table 50, available at [http://www.ssa.gov/policy/docs/statcomps/di\\_asr/2015/sect03f.html](http://www.ssa.gov/policy/docs/statcomps/di_asr/2015/sect03f.html).) However, research by Liu and Stapleton (2011) found that when studied over a period longer than one year, “for the longest-observed cohort, 28 percent returned to work, 6.5 percent had their benefits suspended for work in at least 1 month, and 3.7 percent had their benefits terminated for work.” <https://www.ssa.gov/policy/docs/ssb/v71n3/v71n3p35.html>.

such a review will not lead to continuing benefits.<sup>13</sup> Recipients would not only seek CDRs to continue their current benefit level. They would also seek CDRs as partially debilitating chronic conditions worsened to gain greater relief from meaningful increases in their hardship. We believe this assessment framework can be coupled with assistance for those transitioning back to the workforce or – in the case of partial awards – enticements to not leave the workforce entirely.<sup>14</sup>

## Prior SSDI Research and Demonstration Projects

Since 1980, Congress has encouraged (and sometimes required) SSA to conduct research and demonstration projects to assess the effectiveness of possible policy changes to SSDI and Supplemental Security Income.

Wittenburg, Mann, and Thompkins (2013) reviewed employment-focused interventions and found that none of the demonstration projects they reviewed “have the potential to lead to substantial caseload reductions that could reverse program growth. However, they can inform future designs, particularly the importance of customizing supports to very well-defined target populations.”<sup>15</sup>

Since the early 1990s, SSA has conducted several projects to experiment with different ways of providing a more flexible benefit offset for earnings and greater access to health care, work support, and education support.<sup>16</sup> Reviewing these studies in 2008, GAO reported, “these projects have yielded limited information on the impacts of the program and policy changes they were testing,” adding elsewhere, “GAO recommends that SSA establish written policies and procedures for managing and operating its projects consistent with standard research practices and internal control standards.” SSA generally agreed with this recommendation, and in fact our own suggestions here are meant to be systematic in design, so as to support assessment.

In the interest of space, a brief discussion of two of SSA’s major initiatives are insightful. We think they will help inform future demonstration projects under the expanded authority granted in the 2015 BBA.<sup>17</sup> The Ticket to Work (TTW) program and the Benefit Offset National Demonstration (BOND) program are major initiatives aimed at assisting DI beneficiaries by providing work supports and a more flexible benefit offset. Unfortunately, both programs have been heavily criticized as being ineffective at returning DI beneficiaries to work.

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13 Assessment models of this sort are employed in other situations in which skills and capacity are subject to change over time – for example, in continuing care retirement communities. While the analogue is by no means perfect, we note that for those who are aging and need to rebalance independent living with assisted care, there is an incentive to start planning. Similarly, our design would give those regaining capacity to work an incentive to begin planning for a return to the workforce.

14 Another type of temporary- and partial-award system could involve time-limited benefits, where the applicant is awarded benefits for a set period – for example, 12-24 months. After the predetermined period, the person would have to reapply for benefits if he or she wanted them to continue. This would start the entire application process over again. After discussions with congressional staff, SSA employees, advocates for the disabled, and other interested parties – and given the current timeline for a disability determination and the waiting period to have an appeal heard before an administrative law judge – we concluded that no one believes SSA has the administrative capacity to handle a true time-limited disability insurance program. Under a system with better funding and greater administrative capacity, such a program could be adopted or pilot-tested, but we believe that the mandatory CDR model is better for reasons stated above.

15 For more on this topic, see Wittenburg, Mann, and Thompkins (2013).

16 For a list of the experiments that the Social Security Administration has conducted, see Table 1 in Romig (2016).

17 For a good summary of SSA’s work-incentive demonstrations projects, see Romig (2016). See also Wittenburg, Mann, and Thompkins (2013).

The Ticket to Work program was established in 1999 to provide some beneficiaries with a “ticket” to be used for receiving employment support services through approved service providers, called employment networks. These networks receive payment for assisting DI TTW beneficiaries to exceed targeted earnings levels. Unfortunately, less than 1 percent of those who received tickets ever sought support services from an employment network (GAO 2011).

A 2013 report by Mathematica Policy Research concluded, “Although we find evidence that TTW is targeting individuals interested in employment, rigorous impact analyses failed to provide strong evidence of its impact on employment.” Further, the report concluded that SSA’s efforts to conduct demonstration projects have not provided strong enough evidence to even “clearly indicate what types of programs will work effectively – and for which beneficiaries” (Mathematica Policy Research, 2013).

Ticket to Work helps to illustrate why well-designed projects are valuable. Cast in terms of a power analysis, Ticket to Work was very large and, it is tempting to add, thereby precisely measured absolutely no discernable effect. But that is not a valid conclusion, because Ticket to Work was not an experiment and contained no formal control group population. The law required the Ticket to Work program be implemented, but not tested formally before national implementation.

However, as part of the Ticket to Work and Work Incentives Improvement Act of 1999, Congress asked the Social Security Administration to conduct a demonstration pilot program to test whether a more flexible approach to reducing DI benefits for those that have gainful employment would improve work incentives and help DI beneficiaries return to work and leave the Disability Insurance rolls. The resulting pilot is the Benefit Offset National Demonstration project. The BOND project is designed to test whether a more flexible benefit offset will encourage more DI beneficiaries to earn above the SGA amount and, ultimately, become self-sufficient and return to work.

An initial pilot program was conducted in four states (Vermont, Connecticut, Utah, and Wisconsin) before the national BOND program began. However, the results of the four-state pilot were mixed. According to the Social Security Advisory Board (SSAB), citing a 2011 study by Weathers and Hemmeter, while there was a 25 percent increase in the number of DI beneficiaries with earnings above the SGA amount, the four-state pilot program did not result in a reduction of DI benefit payments (SSAB 2013).

Further, SSAB (2013) was critical of the BOND program in its entirety, suggesting that “BOND is a victim of both faulty conceptualization and implementation.” Specifically, SSAB expressed concerns that the \$2-for-\$1 offset amount specified in the BOND program would not help policymakers understand what effect different benefit offset ratios would have on incentives for DI beneficiaries to earn above the SGA amount. As well, SSAB expressed concern that the SGA amount in and of itself might be an inappropriate level for determining when benefits should be offset and that additional income disregard levels should be studied. SSAB also noted that the four-state pilot found that the benefit offset was inconsistently and incorrectly applied, “leading to delayed entry into the program as well as to overpayments and underpayments” (SSAB 2013).

In testimony before the U.S. Congress, GAO testified that it has issued “...several reports describing SSA’s challenges with managing its disability workloads, efforts to reduce claims processing times, and

lack of systematic evaluation to determine the efficacy of those efforts.” GAO further “noted the need for a sustained focus on the part of SSA leadership to approach these challenges strategically and follow through with rigorous plans to improve its disability programs” (GAO 2018).

### III. Lessons Learned

One lesson we’ve taken away from the literature is that research and demonstration projects often start out too big and complicated to be effectively designed and implemented. If the three most important factors in real estate are “location, location, location,” then the three most important factors in a successful research project are “design, design, design.” Instead of fully committing first to a national project, numerous small-scale pilot projects should first be conducted to ascertain whether a full-scale demonstration project would be beneficial and to gain more insights into how to better design any such project.

A second lesson we’d highlight is that it takes years to design, conduct, and evaluate a research and demonstration project. This is partly why we support initiating smaller scale pilot projects first. The very good news here regarding power analysis is that sample sizes do not have to necessarily be large to test for each impact – the size of a definitive sample is related to the required impact of a behavioral change. It follows that reform testing can be sequenced such that pilots that require large treatment impacts to be useful can have smaller sample sizes, can be run earlier, and can be run in several variants. This may afford best use of the relatively short time frame for program modernization.

Third, as noted in the example of a good program in Section II, it’s important to gather input and build support from experts, stakeholders, and, especially when changes in social welfare benefits are involved, the affected community. The COHE is considered a success as a result of several important contributing factors; while each was necessary, none alone was sufficient. Even the best designs are not likely to offer policymakers results in the limited time available if researchers do not have the tools they need to analyze results of trials across clusters. Regardless of who administers demonstration projects, key data partners must be part of the process up front, and agreements should be secured to allow them access to necessary data for estimating program impacts. For example, early intervention programs can only be seen to work if researchers have access to SSA data indicating whether SSDI application rates vary pre and post trials relative to paired non-trial sites.

Fourth, agencies should seek collaboration and partnership, from other experts and from private sector business that have expertise and an interest in the outcome of the pilot or demonstration. In some cases, the private sector may have conducted similar pilots and have expertise and lessons learned to share. For example, Thomke and Mazni (2016) point out that “Although the process of experimentation seems straightforward, it is surprisingly hard in practice, owing to myriad organization and technical challenges.”

Fifth, a pilot is useful after proof of concept but before a full-blown project is begun. Agencies should not be afraid to let a thousand ideas bloom at the proof of concept state and then provide support for numerous pilot projects in order to inform which concepts should become full demonstration projects.

Finally, if there's one global lesson that can be gleaned from the successes and failures of past research and demonstration projects, it is that leadership matters. While leadership isn't in and of itself the sole determinant of a successful demonstration, without an agency culture that prioritizes and supports research and evaluation, any demonstration project faces a potentially insurmountable hurdle.

To summarize, previous research has supported the idea of a U.S. disability insurance system that allows more flexible entry and exit.<sup>18</sup> Other nations that are part of the Organization for Economic Co-operation and Development have already moved in this direction, but here in the U.S., many researchers and advisory organizations, such as GAO and SSAB, have not been satisfied with program reforms as designed (to date), meaning that there is a need to test and evaluate more flexible design features. These facts motivate our recommendation of a modular systematic framework for a suite of integrated pilots that support appraisal and are sequenced so as to provide the most gain from lessons learned.

## **IV. Our Proposals for Temporary and Partial Disability Benefits**

### **Problems and Challenges with Disability Determination**

The private market and the U.S. Department of Veterans Affairs (VA) are two other disability insurance outlets. Private insurers generally offer both short- and long-term disability insurance, which can usually be purchased separately or in tandem. The VA Disability Compensation program offers partial disability awards to military veterans, thereby acknowledging that while some disabilities completely preclude the ability to work, others limit opportunities to a lesser degree. These programs, however, all take somewhat different approaches to disability determination.

Over time, the private market system has evolved and now often requires the insured to apply to the SSDI program in order to continue receiving awards. A private market determination process that requires application to the public system, either following or in tandem with its own determination process, may be challenging for individuals to navigate. At the same time, it is not unreasonable to encourage those entitled to public benefits to seek them. We believe that a reform that integrates private and public insurance could do a great deal to simplify the disability insurance application process, normalize expectations, and help facilitate determination for the public system. In short, a program design that integrates private short-term insurance and public long-term insurance may both (1) offset increasing costs for the public sector and (2) further standardize a private market for disability insurance.

This is particularly true because the application process for SSDI can be confusing and lengthy, and it essentially requires workforce exit for no fewer than five months. Thus, partial and temporary disabilities are not conducive to application for SSDI. Some disabled workers may suffer in jobs past when they should exit the labor force. Uncertainty regarding SSDI eligibility can generate such an outcome among

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18 See: "A Stronger Social Security Disability Program Opens the Door for Early Intervention," Smalligan and Boyens, The Urban Institute. October 2018. [https://www.urban.org/sites/default/files/publication/99249/a\\_stronger\\_social\\_security\\_disability\\_program.pdf](https://www.urban.org/sites/default/files/publication/99249/a_stronger_social_security_disability_program.pdf).

workers with low productivity and poor job-market prospects. This is bad for both (1) workers enduring abnormally high pain and suffering and (2) employers suffering from abnormally low productivity. The current system does not encourage employers to assist and support a dignified transition from full-time work. A better system would be of more benefit to employers and workers and would better support workforce participation.

Consider instead a system wherein the employer-sponsored disability insurance plan awarded benefits for an initial period of 12 months. During that period, the policy would make employee contributions to health and retirement benefits, affording the employee an opportunity to continue saving for retirement and to rehabilitate his or her work functionality. In or by month 12, a mandatory review would occur. Should the employee's ability to function continue to be impaired in the second year, data, facilitation, and support from the private system's determination process would be organized and sent to SSA for review by month 18. At month 24, a disabled worker would transition to SSDI and SSA would determine the worker's eligibility for a partial or full award, as appropriate. For those unemployed, but still covered by SSDI, they would apply for benefits directly through SSA as is done currently.

Currently, applicants for SSDI can apply either at a Social Security field office (in person or over the phone) or online.<sup>19</sup> Social Security disability claims are initially processed through SSA field offices and are then passed on to Disability Determination Services (DDS), which are run by the states but funded by the federal government. Appeals of unfavorable determinations may be decided by DDS or by an SSA administrative law judge (ALJ), an appeals council, or a federal court.<sup>20</sup>

In most states, applicants rejected at the DDS level may ask SSA to reconsider the decision (see Nolo, n.d.). Almost 90 percent of rejected applicants appealed at the reconsideration stage in 2005, but only 13 percent had the decision overturned and were awarded benefits at that stage of the application process (Autor and Duggan 2010, as reported in Lindner and Burdick 2013). Applicants who are still rejected have the option of appealing further to an ALJ, appeals council, and federal court. The waiting time to have a case heard by an ALJ varies by office but can be well over a year (see SSA 2018b). Many denials that reach the ALJ level are reversed; applicants are then awarded benefits.<sup>21</sup> Given the high variability of ALJ decisions and the need for a transparent and equitable decision process, data on judgments are of value. In fact, SSA assembles public data on each judge's overall decision rates for awards and denials and makes such data available for those interested in performing this sort of analysis.<sup>22</sup>

## Integrated Employer Engagement in Disability Insurance and Worker Accommodation

We also propose a separate reform to engage employers. This change could take place regardless of whether a temporary or partial disability structure were adopted. It would give employers an expanded role in the

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19 For more information on the determination process, see SSA (n.d., "Disability Determination Process").

20 For more information on the appeal process, see SSA (2018a).

21 The award rate at the ALJ level was 67 percent in fiscal year (FY) 2010 and 62 percent in FY 2011 (SSA 2012a). For FY 2013, the Office of the Inspector General reports the award rate at 56 percent (SSA Office of Inspector General 2014). For FY 2014, SSA reports in an agency budget document that the allowance rate was 45 percent (SSA 2015).

22 These data are available as "ALJ Disposition Data FY 2018" (SSA 2018c).

disability insurance program. Specifically, employers would pay premiums to cover the first two years of disability payments. A near-term continuation review (or “private CDR”), roughly one year after the initial determination, would evaluate the worker’s ability to return to work, either full-time or part-time – in other words, this program would be more in line with a short-term disability program. By roughly the two-year mark, one would exit the private system and could transfer to SSDI, depending on the outcome of an SSDI evaluation. SSDI evaluation would begin following the private CDR just mentioned, roughly 12–18 months after initial award, to make the handoff seamless for those eligible. Besides being independent, the SSDI employment evaluation would be broader; would be based on the advice of medical, technical, and vocational experts; and would take into account employment opportunities beyond the applicant’s previous employer and occupation. In lieu of disability determination, those having difficulty finding work for economic reasons could transfer to unemployment insurance while continuing their job search. This type of integration to unemployment is economically feasible for UI trust funds because the period of temporary disability did not previously engage these benefits.

Considering this system from an insurance-industry perspective, employers would offer relatively short-term disability coverage, while the government would continue to finance long-term (residual) disability liabilities. From the perspective of optimizing labor force participation and productivity, keeping workers and employers engaged through the shorter term would better allow them to explore any mutual benefit from accommodation and health insurance-financed therapies and weigh it against the benefit of stopping work. The rest of the worker’s social safety net could be tapped as well, protecting SSA from becoming, or being accused of becoming, a residual program of unemployment insurance. This engagement between employers and employees further offers the potential to enhance the efficacy of the Americans with Disabilities Act.

Autor and Duggan (2010) propose experience-rating employer contributions to the system. The goal of experience rating is to remove a potential moral hazard problem. If an employer is required to cover the first two years of worker disability through private market insurance, the employer may have more incentive to either keep partially-disabled workers employed or improve working conditions by means of accommodations that reduce the overall incidence of marginal disability applications and awards.

As we mention in our 2015 paper, such program innovations hold promise inasmuch as they expand the private system and thereby also reduce the burden of reforming disability through the retirement system. However, employers’ motivation to protect experience-rating markups in the public system and avoid two-year claim payouts within their group policies might well create perverse incentives for business hiring. Businesses may choose to minimize exposure to both public and private premium increases by avoiding hiring employees prone to disability claims –including those who might be returning to the workforce following a disability claim. Hence, at this time, we do not support experience rating as a component of private disability insurance.<sup>23</sup>

We are more inclined to support asymmetric premium policies that discount payroll tax contributions in order to encourage the rehiring of people coming back into the workforce following a period of disability.

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23 This is one of the main findings in Stapleton, et al., “Firm-Level Early Intervention Incentives: Which Recent Employers of Disability Program Entrants Would Pay More?” *Journal of Disability Policy Studies*, 2017.



A pilot demonstration could provide evidence on this issue. In fact, one can imagine wanting to know whether a two-tier or a three-tier pricing model would be better. In this case, the two-tier model would follow the discount approach, while the three-tier model would add on penalty pricing for employers who appear to cherry-pick employees so as to avoid hiring (1) those more likely to become disabled and (2) those recovering from a disability and wishing to return to work.<sup>24</sup> Of course, one would want to be sensitive to framing around these issues, specifically how they are discussed, for the sake of employer and employee participants alike.

By incorporating both (1) partial and temporary disability benefits and (2) employer-engagement reform components, our proposed design acknowledges the dignity afforded by work along with the dignity of exit from the workforce for those who cannot work. Our proposed reforms are intended to be prudent and judicious. In that spirit, we propose providing funding to run competing prototype modular demonstration projects. These would be sequenced in a logical order such that outcomes from preliminary projects inform the projects that follow. Outcomes would be evaluated along a rigorous program time path. We believe that such work should be ongoing, with the goal of continually improving the disability insurance programs – a research and development function to target more humane and empowering coverage at efficient costs.

The reform we've proposed is close in spirit to one implemented in the Netherlands. The Dutch government changed its disability program in 2002 to require employers to cover the first two years of disability payments after the onset of a health condition.<sup>25</sup> According to Burkhauser et al. (2013, 18),

These changes effectively meant that during the first two years following a health shock, workers were the responsibility of the firm and not eligible for long-term government-provided disability benefits. During these two years, employers must allow workers receiving sickness benefits to remain with the firm and can only dismiss employees who refuse to cooperate in a reasonable work-resumption plan.

Engaging employers in this manner may be particularly beneficial because program integration is remarkable within the suite of programs that SSA administers, such as the coordination between the retirement, disability, and supplemental security income programs, but is not nearly as good outside the programs. In particular, there is a lack of integration with workplace accommodation programs that would allow a relatively able person to continue to gain income and satisfaction from work. Consider, in particular, a striking discontinuity that exists between (1) staying in the workforce while seeking a work accommodation under the Americans with Disabilities Act and (2) exiting the workforce to apply to the SSA disability program.

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24 We suggest testing two additional design elements we have previously described in our 2015 paper and 2016 book chapter: first, penalties that effectively increase premiums for those with implausibly low claim rates as measured against the overall rates in industry occupation brackets –evidence of adverse selection (cherry-picking); and second, insurance premium discounts for hiring and retaining those seeking to return to work. The point of demonstration projects could be to test penalties and discounts, as a two- or three-tier pricing model.

25 For more information on the recent history of the Netherlands' disability program and reforms, see Koning and Lindeboom (2015). Hulleger and Koning (2015) explore employer incentives in the Netherlands. They find that the Dutch reforms have helped with disabled worker retention; however, in line with our concerns regarding experience rating, they find that “the DI reforms implemented by the Dutch government have mainly protected those who already have a job, and may have inadvertently reduced the hiring opportunities of people with a disability.” Available at: <https://www.iza.org/publications/dp/9310/employee-health-and-employer-incentives>.

By way of contrast, consider two other disability insurance outlets, the private market and the VA. Private insurers generally offer both short- and long-term disability insurance; these can usually be purchased separately.<sup>26</sup> The VA offers *partial* disability awards to military veterans, acknowledging that some disabilities limit work opportunities to a lesser degree than others.<sup>27</sup> While neither the private market nor the VA covers anywhere near the same percentage of the U.S. population as Social Security, and both types of programs face their own challenges, adoption of the better design elements of each merits consideration. In fact, some of the challenges faced by each type of program result from the inconsistencies among them, which generate an ad hoc landscape of gaps and redundancies in disability coverage. Harmonization and integration can help to both (1) better define and support markets for insurance coverage and (2) better assist those suffering from a disability.

## Design and Sequencing of Proposed Demonstration Projects

Though the research literature discussed above is critical of previous demonstration projects, we are nonetheless encouraged by previous work that better demonstrations can be wrought. Specifically, we note the wealth of information provided by previous projects documenting the barriers and challenges that make it difficult for DI beneficiaries to remain attached to the workforce or return to work. For us, it seems important to emphasize that demonstrations will do better if they follow a modular and rationally sequenced procedure, as we do in this paper. But even absent this specific design recommendation, other experts who have evaluated previous projects have tended to think past previous disappointments and offer constructive suggestions for improving demonstration projects. For example, the previously mentioned Mathematica Policy Research (2013) report on the TTW program concluded, “SSA’s limited success in this area should not dampen the Agency’s efforts to develop the means to promote the employment of SSI and DI beneficiaries.” Thus, we now describe demonstration projects that can then be run in parallel, based on our reform proposals.

## Our First Proposal: Temporary and Partial Benefits

Consider demonstrations for both (I) temporary and (II) partial disabilities.

- I. *Temporary benefits.* We have proposed a temporary benefit as the default program benefit, with an initial CDR near the one-year mark. We believe this default changes the dynamics surrounding continuing disability reviews. The requirement for benefit continuation would be a completed CDR that signals no remedial path to or beyond the SGA earnings limit; otherwise the program would pivot to facilitate a positive labor-force participation experience for the temporary beneficiary.

Thus, beneficiaries would know up front to expect a CDR. Because the burden for the CDR falls on the benefit recipient in this structure, the beneficiary would have the right to demand that it be performed in a timely manner. As we see it, this design has two benefits:

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<sup>26</sup> For just one example of a private disability insurance offered by Unum, see Unum Group (n.d.).

<sup>27</sup> The Department of Veterans Affairs offers disability compensation in 10 percent increments, based on the level of disability (VA, n.d.).

- 1) It would require SSA to provide for CDRs that meet beneficiaries' needs. We envision an annual review over the demonstration period.
- 2) It would change the current expectation that disabilities are nearly uniformly chronic and permanent. Instead, socially, the program would work humanely to mitigate any disability, with "disability" defined as a challenge to independence. This type of DI program would likely offer benefit recipients physical and educational therapies to help them reestablish their independence and successfully return to substantial gainful activity.

To test number (1) above, a demonstration project that increased the value of the CDR to the beneficiary would be in order. For example, the CDR might be scheduled with enhanced flexibility and with incentives for completion. The CDR report could be reviewed with the disability program participant in a discussion that would provide constructive offers to engage demonstrations, any relevant work, and/or therapies, and these features could be known to participants deciding whether to engage this type of CDR. Two invite selection groups could be targeted: (i) those who require a CDR under current methods, and (ii) those who do not require a CDR under the current assignment system. Control groups could be found in terms of wait lists and or defaults back into the current CDR, in part conditional on the invite selection group.

To test number (2) above, a demonstration project that assigned social workers to participate in the CDR, in order to guide beneficiaries to federal and other public programs that support the redevelopment of independence, would be of interest.<sup>28</sup>

*II. Partial benefits.* We have noted that other disability insurance programs offer partial benefits, for example the program run by the VA. While programs like this can offer a highly articulated schedule, in the past we have proposed that a simple 50 percent benefit and a higher earnings cap be offered as an initial benefit design because we think a program designed this way will likely to be easier to administer. Further, we see the following benefit to this design:

- 3) It would provide a clear incentive for beneficiaries to work to reestablish independence.

To test number (3), a lower benefit and a higher earnings cap would be offered as an award option.

*A summary.* To summarize, under our *First* proposal (Temporary and Partial Benefits), there are three separate, stand-alone projects, but the three could be integrated. We suggest that a demonstration project that integrates these three aspects could be of long-term benefit:

- 4) It would establish an expectation that awardees will make an effort toward revived independence and an expectation that awardees are entitled to receive support in their pursuit of this independence.

To test number (4), in addition to the three stand-alone demonstrations, an integrated program would increase the relative value of a CDR: a "negative" CDR, finding persistent or worsening disability, would result in a one-time payment, whereas a "positive" CDR, finding reduced disability, would additionally offer the beneficiary resources under demonstrations testing the value of (2) and the value of an option of (3).

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<sup>28</sup> Other authors have come to similar conclusions (see, for example, Stapleton, Ben-Shalom, and Mann 2016).

For a flowchart detailing our proposed demonstration program design and sequencing, see the appendix. Sequentially, programs testing (1), (2), and (3) would run in parallel for a first year, and as (2) and (3) were established, starting in year 2, those demonstrations from (1) with improvements would then flow into (2) and (3), randomized into {(2), (3), (2&3)} by design. By the end of a second year in the field, there would be initial outcomes from {(1), (2), (3), (1&3), (2&3)}. And, in fact, if the demonstration programs were annually refreshed there would be two sets of results from the stand-alone components after two years in the field.

## Our Second Proposal: Employer-Based Disability Insurance

Next, we turn to our second proposal: we have proposed demonstration projects that better integrate existing employer-based disability insurance programs into SSA's SSDI program.

As mentioned in the literature review, our proposal here is broadly consistent with that of Autor and Duggan (2010). Our proposal is for employers to have the responsibility to insure for the initial two years of an employee's disability and for SSA to have residual responsibility. We note that the majority of employers do not currently offer disability insurance to their workers, but all employers are required under the Americans with Disabilities Act to provide support to workers who need aids to perform their duties. However, workers might not feel comfortable requesting these aids. Furthermore, if a worker's misery increases sufficiently slowly, the problem may not be identified as a disability. The worker may perceive it as a more normal decline in marginal benefits from work. If the employer, in turn, perceives it as diminished productivity, the employer may discharge the worker when an accommodation could have preserved or even increased the worker's productivity.

Under our prior proposals, such a worker could apply for a temporary disability benefit through employer-provided disability insurance. The worker would receive a CDR at the end of a year, similar to the demonstration outlined as number (1) above. Assuming the worker showed no improvement, at month 18 SSA would review the file, perform an initial CDR, and discuss options with the disabled person and the employer – options that include a partial benefit and a partial return to work. If medical improvement still did not occur, SSA would join private beneficiaries to the public program in six months' time. Employer insurance premiums would be experience-rated and designed so as to incentivize reintegration of the employee when this would make sense. We see two benefits to this redesign:

- 5) It would increase firms' potential labor pool and disabled people's future income potential.
- 6) It would increase adherence to the ADA, when accommodation makes sense.

To test number (5), demonstration projects would be engaged that offered two sets of employers who currently offer disability insurance the opportunity to limit their offering to two years and integrate their short-term and medium-term coverage with SSA's longer-term SSDI plan design. The two sets are (a) a set of large employers and (b) a set of small employers. The reader might reasonably ask, "what would we expect for an employer that currently offers a long-term disability insurance program with a benefit that is above the SSDI benefit?" First, for those that would choose to opt in, employers and employees might find they have stronger incentives to support rehabilitation when it is in their mutual best interest. Mutual

best interest now includes employer insurance premium cost savings. Second, we'd offer that a permanent program might allow opt-out as long as benefits remain above the SSDI level. Given both of these points, the invitation to participate would itself be a test of employer receptivity and any potential feedback from participants coming from these benefit-system histories.

To test number (6), as part of the initial disability review and subsequent CDR, ADA accommodations would be considered in terms of their ability to ameliorate the effects of the disability for a worker's discomfort and productivity.

Sequentially, a  $\{(5), (6)_a\}$  program with a set of large employers could begin in year 1, and a  $\{(5), (6)_b\}$  program for small employers might start a year later, to provide both SSA and the pool of smaller employers with the benefit of initial field experiences and to give the smaller employers time to pool with an insurer to gain economies of scale in the review process.

We note that the  $\{(5), (6)_{a\&b}\}$  protocols can be run in parallel to the  $\{(1), (2), (3)\}$  protocols in year 1. Under the  $\{(5), (6)\}$  suite, the CDR is in fact of higher value to the beneficiary, and aspects of (2) and (3) are being replicated as well. One thing worth noting here is that the responsibility for disability reviews would now be shared between the private and public systems under this design. This could reduce bottlenecks in the SSA system that have emerged over time. We suggest that, should the  $\{(5), (6)\}$  suite be successful, a new program component might help the public and private review systems learn from each other by facilitating the movement of expertise between the two systems.

## Our Third Proposal: Cooperation among Federal Social Support Programs

Finally, we turn to our third proposal: we have emphasized integrating other federal social support programs into a system for supporting the disabled, including supporting their recovery and rehabilitation to meaningful workforce participation that enhances their welfare and that they themselves see as a benefit. Under  $\{(5), (6)\}$  we have noted how our program would integrate the ADA, but here we propose that SSA should target other programs as well. One in particular would be the administration of the Patient Protection and Affordable Care Act (ACA). Administration of this program varies substantially for lower-income families at the state level. This is a result of states' diverging decisions about whether to participate in a federal expansion of the Medicaid program under the ACA.

As a result of this important segmentation, we suggest that demonstration projects should be balanced across the states so as to provide a better understanding of the marginal contribution of the ACA to helping disability awardees reengage in independent work. It is quite possible that the ACA expansion might help disabled people participate in demonstration projects. This is particularly important because the DI benefit does not offer a medical insurance component over the first two years. To our knowledge, no one has studied the impact of the ACA on patterns of disability recovery in the first two years of program participation. To be clear, we see the following benefit in this design:

- 7) It would help reformers appreciate the marginal benefit of the ACA expansion for disabled persons under other demonstrations  $\{(1), \dots, (6)\}$  as well as in lieu of any of these demonstrations.

Understanding how these two programs interact during this period is a remarkable opportunity. It is also a limited opportunity, since federal subsidies to states under the ACA are due to be reduced roughly halfway through the period before the DI Trust Fund balance is exhausted. Finally, we encourage SSA to look for other program variation at the state level, or even at the level of metropolitan statistical areas, that would offer significant insights into the substitutability and complementarity of program reforms under differing social support landscapes.<sup>29</sup>

To test number (7), we suggest that the geographic variation in demonstration sites be considered specifically to better appreciate and control for other social support programs and their interaction with demonstration projects.

Sequentially, SSA would engage program officers and social workers to describe how their programs might interact with SSDI offerings. Programs identified as high-value demonstrations would be run in parallel, from year 1, insofar as possible. Accounting for the ACA expansion's impacts on demonstration project results should be built in from year 1.

## **V. Discussion of Public Policy Implications and Administrative Leadership**

Even the best-designed research and program demonstrations can fail in implementation if an agency lacks the necessary research budget, staff, and leadership to see it through.<sup>30</sup> If future programs are ever to be successful at SSA, attention must be given to considering how the agency's culture must evolve to promote research, accept risk, and increase experimentation. SSA must proactively prioritize innovation and testing, not just act reactively to demands from Congress. SSA must also be able to address administrative activities that inhibit projects, such as engaging with other agencies or private sector entities in the design, implementation, and evaluation of pilots and demonstration projects. In some cases, lawmakers may even be able to help facilitate demonstration projects by making them less administratively burdensome. But the initial changes have to start with SSA leadership.

### **Culture Change and Senior Leadership that Supports Research and Experimentation**

Changing agency culture is not easy. Agencies, almost by definition, are risk adverse and follow standard operating procedures. Experimentation and risk taking are not key characteristics of government organizations. Managers tend not to be punished for failing to do something new and innovative, but they do tend to be punished if they take initiative and something goes wrong. Shifts in culture that support research and reward innovation and experimentation first require the merit of doing so and have to accept

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29 For one example, it may be important to characterize states by their workers' compensation laws so as to control for other employer-integrated insurance designs.

30 Hart, Nick, Jason Fichtner, and Jack Smalligan. "Improving Social Security Disability Insurance: Building a Culture of Innovation and Experimentation to Identify Future Reforms." *Benefits Quarterly*, vol. 35, First Quarter 2019.

some measure of risk – even the risks of failure in testing out pilots and demonstrations. The ability of agency staff to take on risk and experiment are greatly enhanced when a clear leader emerges providing support, vision, and direction for research, implementation, and evaluation of new approaches to service delivery. At SSA, a senior level chief evaluation officer theoretically can support the work of the existing research and demonstration projects, while also working to help the Agency recognize the value and potential benefits to SSDI beneficiaries they serve. However, ultimately any agency culture is set at the top. The Commissioner of SSA needs to clearly support research, innovation, and experimentation of new ways of service delivery if SSA is ever to be effective in designing and implementing program pilots and demonstrations.

## Develop an SSDI Learning Agenda

Articulating knowledge gaps and interests in which key improvements can be made is potentially a relatively simple strategy for identifying and planning for future demonstration projects. In collaboration with the Retirement and Disability Research Consortium and other relevant stakeholders, SSA could develop a collaborative and publicly available suite of activities for which it plans to engage in innovative experiments or for questions that the agency would be interested in exploring if suitable designs could be devised. A learning agenda for SSDI could specifically help support a cultural shift at the agency to encourage more projects while also establishing realistic expectations about the outcomes of interest. The real benefit of SSA developing a learning agenda is that the product could be productive in developing buy-in to projects across the agency.

## Set a Realistic Sunset Date or Make the Demonstration Authority Permanent

Research and demonstration projects take time to complete. SSA must be given enough time to responsibly launch demonstrations and navigate processes related to paperwork clearances and contracting. Establishing a realistic timeframe for how long it takes to complete demonstration projects in statute would help SSA improve how it implements experiments. For example, Congress could choose to extend the availability of the existing authority or consider making the SSDI demonstration project authority permanently available.

## Institutionalize the Evaluation Function at SSA

SSA could take steps administratively to begin institutionalizing the evaluation function at the agency in a way that bolsters staff resources and capacity for demonstration projects. If gaps in expertise persist in implementation of the demonstration contracts, SSA could consider including outside researchers at other federal agencies, university researchers, and even private sector researchers who can contribute to strong designs of projects. Institutionalizing the evaluation function could also include developing a community of practice of individuals throughout SSA in different components who recognize the value and usefulness of innovation and experimentation and work to share knowledge and practices for improving the agency's capabilities.

## VI. Summary and Conclusion

In this paper we have offered seven modular demonstrations that test aspects of our previously published redesign proposals. We have suggested sequences that are meant to strive toward three objectives: (1) understanding whether and to what extent each feature might increase reengagement in the workforce, (2) reducing exit from the workforce, and (3) better understanding the interacting benefits of other social support programs. The proper design and sequencing are important both for the sake of interpreting results and to better leverage program resources toward the goals of (1) improving the opportunities that disabled people have to remain attached to the workforce or return to the workforce and (2) regaining independence that enhances their holistic and financial well-being. While the time available for this suite of projects is not as long as many might like it to be (before the DI Trust Fund is estimated to be depleted), we emphasize that the parallel and sequential designs for implementation suggested here could supply initial results by the third year, thus actually allowing time for follow-up demonstrations and further demonstrations. What is more, some modular demonstrations will offer interim results that are of value. This affords some time for Congress to consider a series of near-term reforms even as it takes up longer-term program reforms to provide for the needs of the disabled leading up to the DI Trust Fund exhaustion date and beyond.

The suite of programs we have proposed for testing is large, and not without cost, but the necessity of an extensive and rigorous regiment of demonstration projects for the proper testing of potential SSDI reforms is generally known and accepted.<sup>31</sup> We emphasize that a successful redesign will make DI more humane for those who rely on it while improving the efficiency, effectiveness, and accountability of the program for those who fund it. The demonstration project designs discussed in this paper promise to return more U.S. citizens to the labor force and to jobs that grant them higher wages, the dignity of independence, and better opportunities to save for retirement both within and outside the Social Security system.

The U.S. Social Security system, despite its flaws, is arguably the very best in the world. It provides anti-poverty protection to many American households, in and before old age. It helps dampen harmful economic fluctuations and is an important component in nearly every American household's retirement security plan. Indeed, even as the combined balance of the Old-Age, Survivors, and Disability Insurance trust funds begins declining as we approach the projected depletion date in 2034, the system remains better funded than most throughout the world. When we design reforms, we should remember that we are working from a position of relative strength in a moment of opportunity. The trust funds are not yet depleted. Taking deliberate and careful action now will prevent the hasty and harmful changes that are much more likely if necessary reforms are delayed until the trust funds are at or near depletion.

Various shortcomings have appeared in the Disability Insurance program. Since the Disability Insurance program was first developed, the nature of work has changed a great deal for the majority of U.S. workers. Fundamental demographic and social changes have also occurred. The financial condition of the Social Security Disability Insurance Trust Fund can and should be addressed in a way that takes these changes into consideration. We believe that the demonstration project process can contribute to a redesigned

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<sup>31</sup> President Trump's fiscal year 2018 budget submission to Congress called for spending \$500 million (\$100 million per year for five years) to "test new approaches to increase labor force participation" in the SSDI program (OMB 2017, table S-6).



Disability Insurance program that is both financially viable and better for those it serves. We also believe that the world is unlikely to stop evolving and that our Disability Insurance system will need to undergo constant evaluation and continual improvement. For this reason, to the five principles we offered at the beginning of this paper we add one more:

Demonstration projects should be a permanent and well-funded pillar of the Social Security system, to allow for continuous experimentation and feedback for improving the SSDI program and the people it serves.

We emphasize this sixth point, given the expected need for reforms to the retirement system in the years ahead.

# Appendix: Proposed Demonstration Program Design and Sequencing

## Appendix - Proposed Demonstration Program Design and Sequencing

Demonstration Tracks		Y E A R S										NEW PROGRAM	
		1 2020	2 2021	3 2022	4 2023	5 2024	6 2025	7 2026	8 2027	9 2028	10 2029		
-I- Temporary Benefit (CDR) (CDR) & Social Worker	1	α	...									NEW PROGRAM	
	2	α	α	...									
	-II- Partial Benefit w. High Income Cap { 1, 3}	3	α	...									
		4: { 2 -& - 3}		α	...								
-III- Employer Integration (EI)--2yr small employer variant (EI) & ADA small employer variant (EI) & ADA, ACA, etc-->-III-& social worker	5a	employer engagement	α		...								
	5b		employer engagement	α		...							
	6a		employer engagement	α	...								
	6b			employer engagement	α	...							
		α ≡ initial start year of demo											
OUTCOMES			α (1-4)	α (5a, 6a)	α (5b, 6b)		α (7)	...					
CONGRESSIONAL REVIEW													
LAW MAKING PERIOD													

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# About the McCrery-Pomeroy SSDI Solutions Initiative

The McCrery-Pomeroy SSDI Solutions Initiative is a project dedicated to identifying practical policy changes to improve the Social Security Disability Insurance (SSDI) program and other policies for people with disabilities. Launched in 2014, the initiative originally commissioned a number of accomplished policy experts from a variety of backgrounds to put forward 12 different policy proposals, each addressing a unique issue with current disability policy. These papers were peer-reviewed, presented at the Initiative's 2015 SSDI Solutions Conference, and ultimately published in the 2016 book *[SSDI Solutions: Ideas to Strengthen the Social Security Disability Insurance Program](#)*. The Initiative's work helped to elevate SSDI to the attention of policymakers and has led to the proposal, enactment, and implementation of numerous legislative and regulatory improvements.

Beginning in 2018, the SSDI Solutions Initiative commissioned seven additional papers designed to build upon the work of the 2016 book. These papers will present additional research, offer implementation guidance, or offer new ideas to further improve disability policy in the United States.

The SSDI Solutions Initiative is co-chaired by former Congressmen Earl Pomeroy (D-ND) and Jim McCrery (R-LA), both former Chairmen of the House Ways & Means Social Security Subcommittee. The SSDI Solutions Initiative is a project of the Fiscal Institute at the Committee for a Responsible Federal Budget.

More information about the SSDI Solutions Initiative is available at <http://www.SSDISolutions.org/>.