

Raising the Alarm on the Unintended Consequences of Social Security's Return to Work Policies

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Individuals receiving Social Security Disability Insurance (SSDI) and Supplemental Security Insurance (SSI) benefits have serious, long-lasting disabilities that prevent them from doing substantial work. However, many beneficiaries have a desire and capacity to work. Both programs include special rules aimed at incentivizing work and substantial resources have been dedicated to promoting, testing and evaluating strategies to encourage work among beneficiaries. However, recent research shows that if beneficiaries attempt work, they are likely to be confronted with an overpayment, and it is likely to be large. According to one study, 71 percent of SSDI beneficiaries who exhaust available work incentives experienced an overpayment and the median overpayment was \$9,282 (Hoffman et al. 2019). Analogous estimates for SSI beneficiaries are not available, however it appears SSI beneficiaries experience smaller, but more frequent overpayments.

While the Social Security Administration has long faced criticism for overpayments and undertaken initiatives to reduce them, there hasn't been a formal or rigorous evaluation of their effectiveness. In addition, the agency often focuses on recouping payments made in error rather than on the negative impacts on beneficiaries and prevention of overpayments. SSA should focus on ensuring individuals can access benefits they are entitled to by designing rules that are fair and transparent while imposing fewer burdens on beneficiaries. The alarmingly common overpayments among disability beneficiaries who work feeds a perception that work doesn't pay and creates confusion, heartache, hardship and hassle for both the individual and the Social Security Administration.

The Biden Administration issued two Executive Orders on improving customer service and advancing racial equity that reinforce the importance of addressing harmful overpayments.¹ The

executive order on customer service highlighted SSDI and SSI beneficiaries as key SSA customers. In the order, the Administration stated that “agencies’ efforts to improve customer experience should include systematically identifying and resolving the root causes of customer experience challenges.” In addition, in the Bipartisan Budget Agreement of 2015 Congress authorized SSA to access new and more timely sources of data on earnings and provided new protections for beneficiaries who consented to share their earnings. SSA is finally poised to use this new authority, but many questions remain about how it will be used and how it will interact with existing processes. Importantly, how the agency chooses to address overpayments has implications for racial equity. A study of beneficiaries most at risk of receiving overpayments found that Black and Hispanic beneficiaries were significantly more likely to be overpaid than white beneficiaries (Hoffman et al. 2019).

In this paper we examine work-related overpayments in SSDI and SSI programs among beneficiaries who work with a focus on the root causes of overpayments. We begin with background on the role of work in both programs, the rules governing earnings and the assessment of overpayments. We examine the frequency and causes of overpayments and the effectiveness of SSA’s current processes and their impact on beneficiaries. We conclude with options for reform, including lessons from the Supplemental Nutrition Assistance Program (formerly known as food stamps) which has considerable overlap with the SSI population. Key takeaways from our analysis include:

- If a beneficiary engages in any work, they are likely to receive an overpayment. Overpayments can act as a disincentive to work, create confusion and burden for beneficiaries and increase administrative costs for SSA.
- The Social Security Administration’s process involves a retrospective, monthly tracking of wages that uses earnings data that is necessarily time-lagged, leading to the accumulation of overpayments.
- Adopting a prospective eligibility period for SSI and SSDI beneficiaries who work and establishing a benefit certification window would reduce overpayments and align with other means-tested programs and the approach used for SSDI medical continuing disability reviews.

- Reducing work-related overpayments would encourage greater work activity among SSDI and SSI beneficiaries who have the desire and capacity to work in order to supplement their monthly income and gain the health, social and emotional benefits associated with work.
- Improving SSA’s approach to addressing overpayments would enhance fairness and equity, improve beneficiary’s rights and incentives to work and reduce administrative burdens while also protecting taxpayer dollars.

In addition to work-related overpayments, many beneficiaries also experience underpayments, as well as non-work-related overpayments. In this paper, we focus on work-related overpayments due to the magnitude of the problem. Overpayments are far more frequent and larger than underpayments and cause serious harm to beneficiaries. However, underpayments also harmful to beneficiaries and more attention is needed to address and prevent underpayments. In this paper, we discuss new legal authorities that give SSA an opportunity to not only improve work-related overpayments, but may also be helpful in addressing underpayments.

Background

The Social Security Administration (SSA) administers two distinct programs serving individuals with disabilities, the Social Security Disability Insurance (SSDI) program and Supplemental Security Insurance (SSI) program. SSDI provides benefits to individuals with serious and long-lasting disabilities who have earnings and work history and benefits are based on an individual’s past earnings.² In contrast, the SSI program serves individuals with serious disabilities who have little or no income and assets, as well as the aged and blind.³

While SSI restricts eligibility to those with very limited income and assets, both programs rely on the same standards for determining whether a person is disabled based on the definition of disability described in the Social Security Act. Under the Act, disability is defined as:

“Inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.”⁴

SSA uses a five-step sequential process to determine whether someone is disabled under the Act. The first step in that process is to determine whether an individual is engaging in substantial gainful activity (SGA), defined as having earnings over an established threshold. In 2022, if a non-blind individual is working and has earnings above \$1,350 a month, they are found not disabled.⁵

Once an individual is awarded benefits, both the SSDI and SSI programs allow beneficiaries to supplement their benefits with earnings and engage in limited work activity. However, disincentives to work exist. The rules

governing work are complex, and beneficiaries who work are at significant risk of incurring overpayments, having their benefits suspended or terminated and, in some cases, losing eligibility for Medicaid and Medicare. In the following sections we describe the frequency of SSDI and SSI overpayments and their impact on beneficiaries.

Frequency of overpayments

Overall, the overpayment rate for all reasons among all SSDI beneficiaries is low, while the SSI rate is significantly higher. However, SSA reporting on over- and underpayments as part of their Agency Financial Report (AFR) somewhat obscures the extent to which beneficiaries are affected by overpayments, especially those who work. First, while SSA is required to report separately on the SSI program, it combines SSDI with the Old-Age and Survivor's Insurance (OASI) program. To better understand overpayments in the SSDI program and compare with the SSI program, we combine publicly available data on SSI from SSA's AFR with SSDI data obtained through a data request to SSA staff in table 1 below.

TABLE 1

Fiscal Year 2020 Over and Underpayments in the Social Security Disability Insurance (SSDI) and Supplemental Security Insurance (SSI) Programs

| | SSDI | SSI |
|-------------------|-----------------|-----------------|
| Overpayments | \$1,200,000,000 | \$4,595,000,000 |
| Overpayment rate | 0.85% | 8.13% |
| Underpayments | \$67,000,000 | \$724,000,000* |
| Underpayment rate | 0.05% | 1.28%* |

Source: All SSDI estimates were provided by SSA staff on July 25, 2022. [FY 2020 SSI overpayments](#). SSI overpayments also available on [paymentaccuracy.gov](#)

Notes: Dollars are in millions, overpayment counts are in thousands.

*The FY 2020 SSI underpayment rate and total amount of underpayments is not reported on [paymentaccuracy.gov](#). The table includes the FY 2019 SSI estimates from the [FY 2020 SSA Agency Financial Report](#).

The table shows that overall, SSDI beneficiaries are unlikely to experience an overpayment and underpayments are even less frequent. In fiscal year 2020, the SSDI overpayment rate was 0.85 percent of total program outlays and overpayments totaled \$1.2 billion. Underpayments were even less common, representing only 0.05 percent of program outlays.

Overpayments are more common in the SSI program and make-up a larger share of program outlays. In fiscal year 2020, the SSI overpayment rate was 8.13 percent of program outlays and totaled almost \$4.6 billion. Underpayments were also more frequent in the SSI program, compromising 1.28% of total outlays in fiscal year 2019 (fiscal year 2020 data is not available for underpayments).

Aggregate overpayment rates however, can mask higher and more frequent overpayments for the most at-risk portions of the programs. Research by Hoffman and colleagues (2019) led them to develop an innovative approach to estimating the prevalence of overpayments among SSDI beneficiaries who used work incentives and subsequently worked above SGA. They estimated that from January 2010 to February 2012 among SSDI

beneficiaries who completed their Trial Work Period (TWP), used their Extended Period of Eligibility (EPE) Grace Period, and subsequently engaged in SGA, 71 percent experienced an overpayment. In addition, they found the median overpayment to be approximately \$9,282. The average overpayment was \$8,114 and ranged from \$4,221 to \$15,801. Both the average and median period of accrual of the overpayment was nine months with a range of 4 months to 16 months. SSA's Office of Inspector General (2015) looked at overpayments over a ten-year period, from October 2003 to February 2014 and had similar findings.

Hoffman and colleagues (2019) also identified disparate results by race, ethnicity and other factors. They found that overpayments were more common for Black and Hispanic beneficiaries, those with relatively low benefit amounts, and those with lower levels of education. Among white beneficiaries at risk of benefit suspension or termination, 64.8 percent experienced an overpayment. In contrast, 84.4 percent and 76.4 percent of at-risk Black and Hispanic beneficiaries experienced an overpayment, respectively.

Hoffman and colleagues (2022) also found that work related overpayments are most common for beneficiaries recently awarded benefits. From a large sample of first-time SSDI awardees at risk of a work-related overpayments, 82 percent experienced an overpayment in the first 10 years after award and among this group half of the overpayments began in the first four years after joining the program. Data obtained from SSA on the size of work-related overpayments is generally consistent with the estimates above. SSA reports that for FY 2021, the mean SSDI work-related overpayment was \$12,995 and the median overpayment was \$7,140. These estimates could change as SSA continues to identify additional overpayments and amounts. In the SSI program, the mean overpayment in FY 2021 for any reason was \$1,717 and the median overpayment was \$604, which can include overpayments due to beneficiaries exceeding the asset limit and other reasons. Estimates for strictly work-related SSI overpayments are not available.⁶

Work rates among SSDI and SSI beneficiaries

Beneficiaries must go through an eligibility determination process in which they must demonstrate that they cannot work above SGA, though some beneficiaries can and do engage in limited work activity and a small number are able to sustain work at a higher level, either temporarily or longer-term. One study of SSDI and SSI beneficiaries found that approximately 45 percent of beneficiaries said they were “work-oriented” with goals that included working or advancing in their career or seeing themselves working in the next 2 or 5 years. In addition, the study found that 45 percent of concurrent SSDI and SSI beneficiaries who reported work-related goals had earnings in at least one of the next four years. SSI-only beneficiaries were less likely to achieve their employment goal, but SSDI-only and concurrent beneficiaries were more successful in achieving their goals (Livermore 2011).

For beneficiaries with work capacity, research suggests that work can provide important benefits. Waddell and Burton (2006) reviewed the international evidence on the relationship of work, health and well-being for the United Kingdom. They focused on individuals with common medical conditions, including mental health, musculoskeletal, and cardio-respiratory conditions. They found work can be therapeutic, promote recovery and lead to better outcomes. Modinia and colleagues (2016) performed a systematic meta-review of the literature and found work can help facilitate recovery from illness and improve mental well-being.

Overall, a relatively small proportion of SSDI and SSI beneficiaries work. The 2015 National Beneficiary Survey asked a nationally representative sample of beneficiaries if they worked in 2014 and if they were working at the time of the interview. As shown in Table 2, beneficiaries concurrently eligible for both SSDI and SSI benefits were the most likely to be working, while SSI-only beneficiaries were the least likely to be working. Across all groups, the percentage of beneficiaries that had worked at some point in the year was higher than the percentage working at the time of the interview, underscoring how many beneficiaries move in and out of work over time and experience multiple changes in their earnings and benefits.

TABLE 2

Percentage of Work Activity Reported in the 2015 National Beneficiary Survey

| | All | SSI | SSDI | Concurrent |
|-------------------------------|------|-----|------|------------|
| Employed in 2014 | 10.6 | 8.5 | 11.4 | 11.9 |
| Employed at time of interview | 8.3 | 7.2 | 8.6 | 8.8 |

Source: Social Security Administration National Beneficiary Survey: Disability Statistics 2015. Released 2018.⁷

Newly awarded and younger beneficiaries are the most likely to work and to have higher earnings. As shown in Table 3, beneficiaries under age 30 were about three times as likely to report working in 2014 than beneficiaries age 50 or older. In addition, over twice as many beneficiaries under 30 were employed within five years of being awarded benefits than those age 50 and over and to have earnings above \$900 (in 2007).

TABLE 3

Percentage of Work Activity by Age for All Disability Beneficiaries from 2015 National Beneficiary Survey

| | All Beneficiaries | Under 30 | 30 to 49 | 50 or older |
|---|-------------------|----------|----------|-------------|
| Employed in 2014 | 10.6 | 23.0 | 13.4 | 7.7 |
| Employed at time of interview | 8.3 | 17.1 | 9.5 | 6.4 |
| Employed within 5 years of award | 22.4 | 41.1 | 23.1 | 16.9 |
| Employed within 5 years of award at above SGA level (\$900 in 2007) | 4.1 | 6.5 | 5.1 | 2.9 |

Source: [DI & SSI Program Participants: Characteristics & Employment, 2015. Released 2020.](#)

Data on the percentage of beneficiaries who have benefits suspended due to work or who complete the SSDI TWP shows that work is important to many SSDI and SSI beneficiaries. However, even among those with the most earnings and work effort, work is supplemental and temporary, which is consistent with the criteria for entering the programs. Over a 15-year period among the 2001 SSDI award cohort, 13.2 percent began a Trial Work Period, 9.7 percent completed a TWP and 5.4 had benefits suspended. Among SSI beneficiaries over the same period, 22.2 percent had earnings and 11.9 percent had sufficient earnings to suspend cash benefits. For the 3.5 percent of SSDI beneficiaries and 0.4 percent of SSI beneficiaries who had earnings sufficient for

benefits to be fully terminated during this 15-year period, about half of the SSDI beneficiaries and one-quarter of SSI beneficiaries returned to SSA disability programs (SSA 2020).

Ben-Shalom and Stapleton (2015) followed working-age SSI beneficiaries who were newly awarded benefits from 1996 through 2006 and found a small but significant group of SSI beneficiaries move in and out of work. For example, among individuals awarded benefits in 2001, 9.8 percent had worked enough during the next six years to forgo their SSI benefit for at least one month and 19.4 percent had earned enough to have their benefit partially offset. These rates of employment are 4.5 times the rate of employment for SSI beneficiaries at any given point in time. Individuals who were awarded benefits in other years experienced a similar pattern of higher rates of episodic employment across multiple years.

Working beneficiary responses to overpayments

Individual beneficiary responses to work-related overpayments can vary depending on their characteristics, program knowledge and other circumstances. In this section we summarize beneficiary's responses to surveys and focus groups, statistical analysis and feedback from staff who work with beneficiaries.

An analysis of the 2017 National Beneficiary Survey by Shenk and Livermore (2021) found that overpayment and benefit suspension rates differed by program, age, education, race, and ethnicity. More than half of the respondents who increased work rates said they expected to experience a suspension of benefits. They found "Most beneficiaries reported not changing their employment effort in response to an earnings-related overpayment. About 24 percent of DI beneficiaries and 13 percent of SSI recipients reported changing their employment in response to an overpayment." For those beneficiaries who had benefits suspended from work about half resumed benefits or were in the process of doing so, usually because of worsening health conditions. They also found that awareness of the work rules helped beneficiaries anticipate changes in their benefits, be more likely to report employment and less likely to experience an overpayment. However, the National Beneficiary Survey focused on beneficiaries who are currently working and not those beneficiaries who previously attempted to work and stopped, perhaps in response to an overpayment.

A smaller qualitative survey (Kregel 2018) provides the perspective of beneficiaries who are both currently working and those who previously attempted to work. The amount of overpayments for this population ranged from a low of \$392 to a high of \$68,000 with an average of \$13,448 and a median of \$9,610. Fifty-one percent of respondents said they immediately terminated employment upon receipt of the overpayment notice. As part of implementing the Benefit Offset National Demonstration, Gubits and colleagues (2013) found beneficiaries expressed fear, anger and frustration after receiving an overpayment.

Statistical analysis also shows that beneficiaries reduced work levels after experiencing an overpayment. Hoffman and colleagues (2022) performed a statistical analysis of SSDI beneficiary's response to an overpayment notice and reported an 8 percent decline in substantial gainful activity over two months, a reduction twice the level that would have been expected without the notice. They found larger declines among older beneficiaries and those with less than a high school education. Beneficiaries with large overpayments also had relatively higher rates of decline in work activity.

In addition to quantitative analysis, program experts who counsel beneficiaries report that overpayments, especially overpayments of thousands or tens of thousands of dollars, contribute to the broader understanding among beneficiaries regarding the risks and rewards from working. The strong reactions to overpayment in a qualitative survey and in the statistical analysis can appear to conflict with the more muted response found in the National Beneficiary Survey. One reason may be that many of those with the strongest responses are not captured in the NBS questions because they decided not to work, or because they left the SSDI roles because of work.

Summary of Work Rules in SSI and SSDI

Beneficiaries who want to work must navigate a complex set of work rules that are specific to each program. Because the SSI program is means-tested, monthly changes in income and assets, including earnings from work, result in changes to benefit levels and program eligibility. The SSDI program on the other hand, is not means-tested and in general, allows beneficiaries to retain their full benefit while working up to the SGA level. In addition, the program also includes additional incentives that allow a beneficiary to test out higher levels of work activity before benefits are suspended or terminated. Some individuals are eligible to receive concurrent benefits from both SSDI and SSI. Concurrent beneficiaries face even more complexity since they are subject to both sets of rules. In the following section we summarize the key features of the work rules for SSDI, SSI and concurrent beneficiaries.

SOCIAL SECURITY DISABILITY INSURANCE

SSDI permits a beneficiary to test out working without penalty during a Trial Work Period (TWP). During the TWP, beneficiaries may continue to receive their full benefit regardless of their level of earnings. The TWP ends when a worker accumulates nine months of earnings above a monthly threshold (\$970 in 2022) over a rolling 60-month period. Workers who complete their TWP and continue working are then eligible for an Extended Period of Eligibility (EPE). The EPE lasts at least 36 months. Workers also have a 3-month Grace Period beginning in the first month of SGA after completing the TWP and the subsequent two months. During this time they can retain all of their benefits regardless of their earnings level.

For the remainder of the first 36 months of the EPE, a beneficiary may retain their full benefit as long as their earnings are below the substantial gainful activity level (\$1,350 in 2022). If earnings exceed that threshold, a worker's entire benefit is suspended for that month. In other words, SSDI beneficiaries who reach the EPE and have used their grace period have a benefit test based on monthly earnings. After the 36th month of the EPE period, benefits are terminated if the beneficiary works above SGA in a month. After the EPE, a beneficiary who worked above SGA and lost eligibility for monthly benefits is eligible for Expedited Reinstatement for a five-year period. During this period, monthly benefits can be restored if the beneficiary stops working and still has a disabling condition. If a beneficiary becomes entitled to Expedited Reinstatement, they begin a 24-month Initial Reinstatement Period (IRP) during which SSA pays benefits in which the beneficiary's earnings do not exceed SGA.

Hoffman and colleagues (2019) describe one scenario that illustrates the enormous change in program rules when an SSDI beneficiary completes their EPE and works above the SGA level for one month. In their

example, the beneficiary has been working during the 36 months of the EPE and benefits terminate because of the work activity in the 37th month. They note that “SSA may not be aware of that change of status, and the agency may continue to issue monthly benefits. If SSA does not terminate benefit payments until the 57th month after the TWP, all benefits paid during that 20-month period will be counted as overpayments, even if the beneficiary was not working in months 38 through 57 (because eligibility terminated in month 37).”

SUPPLEMENTAL SECURITY INCOME

SSI allows a beneficiary to receive up to \$20 monthly in general income and \$65 in earned income before their benefit starts to be reduced. General income can include wages from work, Social Security benefits, private pension benefits and other sources. An SSI beneficiary may therefore have up to \$85 in earnings disregarded. After that, their benefit is reduced by \$0.50 for every \$1 earned. As a result, beneficiaries with income above the disregarded amounts have their benefits recalculated on a monthly basis, a process known as a benefit redetermination. The very low thresholds, which are not indexed to inflation and not been updated in over 30 years, and the benefit offset rate mean that the Social Security Administration must conduct a large number of redeterminations, which are labor intensive for the agency. If the thresholds had been updated for inflation, the Social Security Actuaries estimate that the general income and earned income exclusions would have been \$128 and \$416 in 2022, respectively (Smalligan and Boyens 2022). An analysis by the Urban Institute found that increasing the general and earned income disregards to these inflation-indexed amounts would have lifted roughly 400,000 people out of poverty (Boyens, Kwon, Maag and Smalligan 2021).

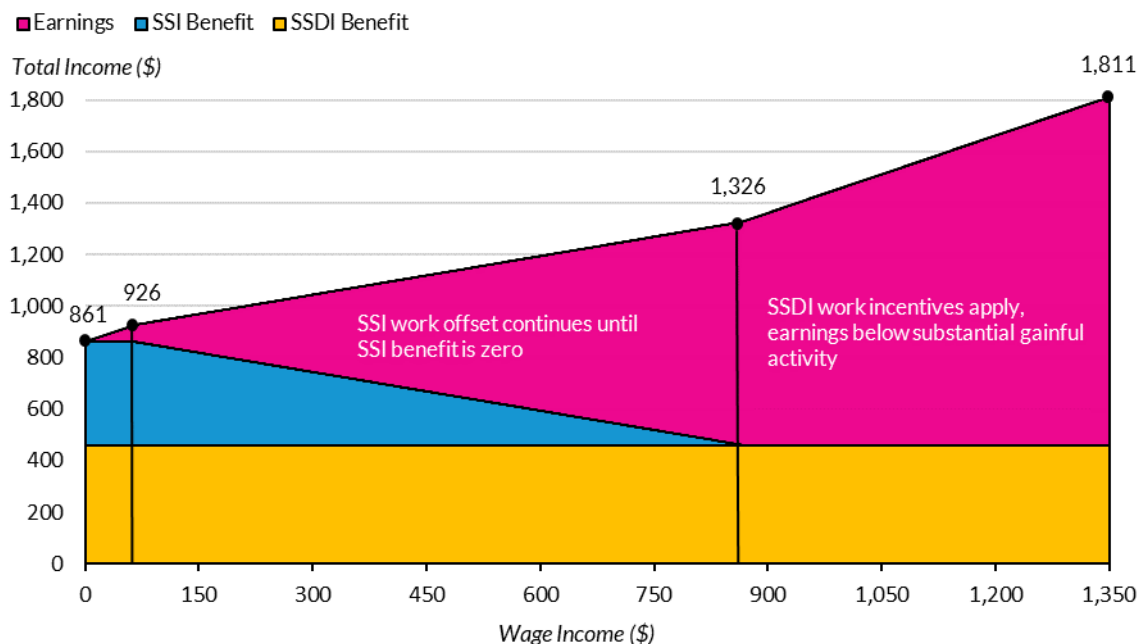
The TWP and EPE do not apply to SSI benefits. Some SSI beneficiaries, however, may have earnings exempt from benefit offset if they are covered by special rules, such as disregards for income-related work expenses or eligibility for the Program to Achieve Self Support, as discussed in Appendix A. These special rules and programs, while affecting a relatively small proportion of SSI beneficiaries who work, also require the engagement of an SSA employee to conduct a benefit redetermination. An SSI beneficiary who has their benefit fully offset can still maintain eligibility for SSI, as well as Medicaid. SSA will terminate eligibility if it concludes that a beneficiary has medically improved.⁸

CONCURRENT SSDI AND SSI BENEFICIARIES

Individuals receiving both SSDI and SSI benefits, or concurrent beneficiaries, are affected by both the SSDI and SSI work rules. These beneficiaries are first affected by reductions in the SSI portion of their benefit, before then benefiting from the work incentives in the SSDI program (Smalligan and Boyens 2022). For these beneficiaries, once they exceed the combined SSI income and earnings disregards of \$85, they experience the SSI benefit offset of \$0.50 per dollar earned. Once their entire SSI benefit has been eliminated, they continue to receive the full amount of their SSDI benefit without reduction until their earnings reach the SGA level. An example of how the rules work for a concurrent beneficiary is shown below in Figure 1. In this example, the concurrent beneficiary is entitled to \$461 a month in SSDI benefits and \$400 a month in SSI benefits and assumes \$20 in general income has already been disregarded. As the beneficiary begins earning income from work, their total income increases dollar for dollar until wages reach \$65. After that point, each additional dollar in earnings reduces the SSI benefit by \$0.50. Therefore, when the beneficiary’s earnings reach \$865, their SSI benefit is reduced to zero. However, their SSDI benefit remains in full. After that point, they can continue to

work and retain all of their earnings and their SSDI benefit under the SSDI work rules until they complete the TWP and EPE grace period, as described above.

FIGURE 1
Work Offsets for an SSI and SSDI Concurrent Beneficiary



Source: [Smalligan, Jack and Chantel Boyens. 2022. "Encouraging Work in the Supplemental Security Income Program." Washington, D.C.: Urban Institute.](#)

Note: Example of a dually entitled SSI and SSDI beneficiary in a one-person household receiving a \$400 SSI benefit and a \$461 SSDI benefit (includes \$20 income disregard).

Complexity of SSDI and SSI work rules

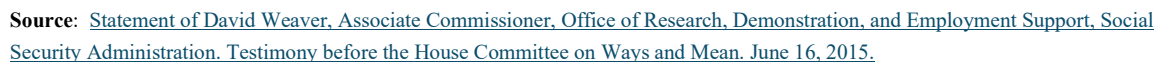
In testimony for SSA, David Weaver explained the work rules and processes more fully and provided the following two figures to demonstrate the complexity of both programs.⁹

Work Rules in the Social Security Disability Insurance (SSDI) Program



Source: [Statement of David Weaver, Associate Commissioner, Office of Research, Demonstration, and Employment Support, Social Security Administration](#). Testimony before the House Committee on Ways and Means. June 16, 2015.

Work Rules in the Supplemental Security Income (SSI) Program



In general, SSA relies on a combination of self-reporting of earnings by beneficiaries and government data sources to track and adjust benefits and eligibility for beneficiaries. SSA was also recently authorized to use private wage data from third party payroll processors. SSI beneficiaries are required to report all changes in income, including earnings, and assets each month. SSI beneficiaries can report wages to field offices, by telephone, and on-line, including mobile phone applications. Their benefit is recalculated every time there is a change. This process is known as a redetermination for SSI and a work continuing disability review for SSDI.

While SSI beneficiaries are required to report changes in income and assets, SSA also collects and verifies the information using the data sources described below.

SSDI beneficiaries must also report earnings and changes in work activity, but only when they have changes in their work activity.¹⁰ A change can include work starting or stopping, a change in duties, hours or pay, or a change what is needed for work due to their disability and SSA is expected to issue a receipt for the wage report.

Sources of earnings data

In addition to self-reporting, SSA has access to wage data from employers through three sources:

- **IRS annual wage data.** The IRS gathers earnings data on an annual basis through the W-2 form. SSA collects these reports on IRS's behalf and has been steadily increasing the number of wage reports received electronically. SSA performs substantial quality checks on the data it receives and provides the data to IRS on a rolling basis. Consequently, not all wage data is available at the same time. Reporting requirements, such as mandatory electronic reporting, vary by employer size. As a result, some reports from small employers may not be available until about six months into the next calendar year.
- **Unemployment Insurance (UI) data.** State UI offices collect earnings data on a quarterly basis. A state UI office may not perform quality checks on the data until an employee applies for UI benefits and the data is generally available two or three months after the end of the quarter. In 1996 Congress required states to share their UI data with the Department of Health and Human Services (HHS) for purposes of enforcing child support agreements as part of the National Directory of New Hires (NDNH) database. SSA is authorized to use this data to administer the SSI and SSDI programs and also collects the UI data from the states on HHS's behalf. While more timely than the IRS annual data, the NDNH data also involves a significant lag and only shows earnings over a three month period.
- **Private payroll data.** Private firms collect earnings data for each pay period or on a monthly basis. The data is often available on a nearly immediate basis and the amount of quality review is unclear. The Bipartisan Budget Agreement of 2015 authorized SSA to enter into agreements with payroll data providers to receive more timely wage data, such as by payroll period or monthly. In 2021, SSA entered into a contract with Equifax to use their wage database known as The Work Number.¹¹ Under authorizing law, SSA must receive the consent of SSDI and SSI claimants and beneficiaries before using data provided by a payroll provider and SSA uses Form SSA-8240 to obtain consent. The website for The Work Number describes the database as having 136 million income and employment records.¹² While Equifax is sharing data regularly with SSA, the agency has not fully incorporated this data into its normal processes and some members of Congress have recently called on SSA to complete the rulemaking process before fully incorporating this data into its processes.¹³

The Bipartisan Budget Agreement of 2015 not only authorized SSA to enter agreements with payroll data providers but it also instituted new protections when beneficiaries consent to have their data shared. SSA summarized these protections in its Federal Register Notice regarding its arrangement with Equifax:

“Authorizing us to obtain information directly from a payroll data provider like Equifax protects the beneficiary

or recipient from a penalty of non-payment or ineligibility under section 1129A of the Act, for any omission or error from wages reported by Equifax. Additionally, we will find good cause and not subject recipients who receive SSI payments to a monetary deduction penalty of their payments under section 1631(e)(2) of the Act if they fail or delay to report a change in employer and gave us the authorization to obtain information from Equifax.¹⁴ We will discuss further the implications of these new protections later in the paper.

Waiving overpayments

The Social Security Act permits SSA to waive an OASDI or SSI overpayment. SSA may waive overpayments when the beneficiary is without fault and recovery of the overpayment would defeat the purpose of the programs. SSA may also waive overpayments that are below certain tolerance levels. While these authorities may seem expansive, SSA only waives a small fraction of overpayments. For FY 2020, SSA collected \$3,809 million in OASDI and SSI overpayments and waived about \$254 million. In FY 2020 SSA also had about \$8,442 million scheduled for repayment.¹⁵

If SSA decided to increase in tolerance levels and waive more overpayments some of the waivers would cover overpayments that are never recovered. Of the overpayment debt for all reasons identified in 2004, 53 percent was recovered, 26 percent was still outstanding, and 21 percent was waived or canceled as of February 2014 (SSA OIG 2015).

Reporting of improper payments

The Office of Management and Budget's improper payment guidance directs agencies to identify the root cause of overpayments and directs the SSA Office of Inspector General to review the agency's estimate.¹⁶ SSA and the SSA Office of Inspector General have different estimates of how much of the improper payments and resulting over and underpayments are within SSA's control. In addition, SSA is still implementing new authorities Congress enacted in 2015 that could change how much SSA is able to prevent overpayments and it is difficult to assess the impact of recent SSA initiatives to reduce improper payments from the available data.

In its FY 2020 Agency Financial Report, SSA estimates that approximately two-thirds of all overpayments, both work- and non-work-related, in the OASDI program are outside of its control and approximately 93 percent of all SSI overpayments are outside of its control.¹⁷ In addition, as shown in tables 4A and 4B, SSA attributes most overpayments in both programs to the inability to access data from employment. The table includes overpayments from all reasons, not just work-related overpayments.

TABLE 4A

All Work and Non-Work-Related Over and Underpayments in SSDI and SSI*FY 2020 (Dollars in Millions)*

| | SSDI | SSI |
|-------------------|-------------|------------|
| Overpayments | \$1,200 | \$4,595 |
| Overpayment rate | 0.85 | 8.13 |
| Underpayments | \$67 | [\$724]* |
| Underpayment rate | 0.05 | [1.28%]* |

TABLE 4B

Root Causes of Overpayments***FY 2020 (Dollars in Millions)*

| | SSDI | SSI |
|--|-------------|------------|
| Within agency control | \$668 | \$338 |
| Outside agency control | \$1,378 | \$4,258 |
| Total | \$2,046 | \$4,596 |
| Inability to access data | \$1,267 | \$3,996 |
| From employment | \$887 | n/a |
| Other Sources | \$380 | n/a |
| Failure to access data | \$546 | n/a |
| From employment | \$147 | n/a |
| Other sources | \$399 | n/a |
| Inability to access data: data needed does not exist | n/a | \$221 |
| Administrative or process errors by federal agency | n/a | \$210 |

Tables 4A and 4B Sources: SSDI figures are from communication with SSA on July 25, 2022. [FY 2020 SSI overpayments](#). SSI overpayment data also available on [paymentaccuracy.gov](#)

Notes:

*The FY 2020 SSI underpayment rate is not reported on payment accuracy.gov. The FY 2019 SSI underpayment amount was \$724 million and 1.28 percent of all payments ([SSA AFR FY 2020](#))

**Overall amounts by root causes may total more than all overpayments from cases being assigned to multiple causes.

In contrast with SSA's assessment, the SSA Office of Inspector General (OIG) has concluded that SSA has more control over the number of overpayments than the agency reports. One SSA OIG report (2022) focused on whether SSA could improve its automated benefit calculation processes. They took a sample of 100 OASDI overpayments for a range of reasons and concluded 87 were from incorrect computations and, of this group, if SSA had better processes and more automation, they could have avoided 50 of the overpayments. This suggests

that a much higher fraction of overpayments are in SSA's control than SSA's Annual Financial Report indicates.

Oversight organizations have frequently criticized SSA's efforts to address improper payments. One SSA OIG report (2021) concluded "Based on our analysis of improper payments caused by financial accounts, wages, substantial gainful activity (SGA), and computations, SSA's corrective actions were not effective, or their effect was unknown."¹⁸ Another report by the Government Accountability Office (2020) reviewed the efforts of six agencies to address improper payments and concluded that "Until SSA develops and implements a documented process to measure the effect that the OASDI and SSI corrective actions have on improper payments, it will be unable to demonstrate whether the corrective actions are effective in reducing the associated improper payments and may risk continuing ineffective actions." However, SSA's processes are undergoing change currently. As a result, one outside expert who researches SSA's disability programs noted to the authors that SSA has not evaluated how adding access to quarterly NDNH data has affected overpayments. This lack of an analysis makes it more difficult to assess the implications of the access to the Equifax data.

Analysis/Discussion

SSA faces many challenges in addressing work-related overpayments. First, the requirement to adjust benefits on a monthly basis creates inherent challenges for both SSI and SSDI. SSA acknowledged the challenges with regard to SSI in its FY 2020 Agency Financial Report: "Administering the SSI program is complicated by the statutory requirement for us to determine SSI eligibility and calculate SSI payments on a monthly basis." The report added that "Even if a payment was correct when paid, subsequent changes in that month can affect the payment due, resulting in either an overpayment or underpayment..."¹⁹

Second, the process of adjusting benefits due to work imposes significant administrative burdens on the agency. In the case of SSDI, SSA does not need to start reviewing earnings data until after a beneficiary has completed their Trial Work Period. When SSA does review earnings, it conducts what is known as a work continuing disability review (CDR). Work CDRs are time intensive. Wittenberg and colleagues (2012) estimated that applying the SSDI work rules for a single beneficiary in a work continuing disability review takes SSA staff 186 minutes.

Third, even when beneficiaries report earnings each month or SSA receives wage reports from employers, overpayments can occur because SSA takes a substantial period of time to complete action on earnings data. The SSA OIG (2015) estimated SSA took an average of 8.1 months to identify an overpayment in a sample of cases they reviewed from calendar year 2003 through 2014. In an annual report to Congress, SSA reported for 2019 it took 17 days for SSA to initiate an action for a beneficiary's own earnings report and additional 75 days to complete the review. In contrast, SSA does not report how long it takes to initiate action on third-party data. SSA does indicate that once they initiate action on third-party data it takes an average of 194 days to process a work-continuing disability review.²⁰

Key aspects of SSA process lead to overpayments

The process of redetermining benefits on a monthly and generally retroactive basis, stands in contrast to other means-tested programs that primarily revise benefits on a prospective basis. Unless a program participant is engaged in fraud, some programs seriously constrain or simply do not make a retrospective redetermination of benefits. For SSA, a complex, monthly, retrospective process means the agency is always assessing and collecting overpayments. With unconstrained administrative resources and real time access to earnings reports, SSA might theoretically keep overpayments to no more than a month of benefits. More realistically, understaffing and lags in receipt of earnings reports results a monthly, retrospective process that leads to a high rate of overpayments for those who work and large overpayment amounts in the thousands or even tens of thousands of dollars.

One area where SSA does not employ a retrospective process and avoids overpayments is its process for SSDI medical continuing disability reviews. When SSA reviews whether a beneficiary still meets the medical eligibility criteria for SSDI and determines that a beneficiary has medically improved, it sets the date of improvement at the time when the beneficiary receives notice of the decision. A retrospective decision could occur if a beneficiary fails to cooperate or is found to clearly know they are no longer eligible.²¹ If a beneficiary unsuccessfully appeals the determination, they can be at risk of an overpayment for the period of the review.

Current and past efforts to address overpayments

PREDICTIVE MODELING AND EXPANDED ACCESS TO EARNINGS DATA

To address the problem of overpayments and improper payments more generally, SSA has revised some of its processes to review earnings to incorporate new technologies and feedback from stakeholders but the impact of these initiatives is unclear. In 2010 SSA began piloting a predictive model to prioritize the cases where beneficiaries were at risk of large overpayments and they implemented the model in 2013. In 2014, SSA began piloting the use of the quarterly UI data discussed earlier and implemented the effort in 2017.

SSA is currently completing its efforts to test the use of Equifax earnings data. Use of the Equifax data will enable SSA to receive earnings reports in the month after the beneficiary receives the earnings. In a recent report to Congress, SSA indicated they would implement this data exchange in FY 2021, though SSA now appears to be implementing the effort more slowly.²² The Equifax data will be available to SSA at approximately the same time as direct reports from beneficiaries and the authorizing legislation protects beneficiaries from errors or omissions in the data. If SSA is able to leverage this data source in a comparable manner as direct reports from beneficiaries, it could help reduce improper payments.

IMPROVE BENEFICIARY SELF-REPORTING OF EARNINGS

SSA has piloted and experts have proposed a variety of administrative actions to increase beneficiary self-reporting of earnings, but they have not shown substantial promise for reducing overpayments. Zhang and colleagues (2020) found an SSI pilot that mailed SSI beneficiaries a letter reminding them to report earnings

increased their rate of reporting by 11.1 percent. However, the baseline reporting rate was very low, just 3.06 percent. Nevertheless, they estimated that the effort would be cost effective for the government. Hoffman, Deutsch and Seifert (2020) use a behavioral economics approach to the issue and propose some specific improvements in the SSDI earnings reporting documents to increase clarity and salience and more clearly convey deadlines. However, the potential for significantly improving self-reporting rates seems modest, as demonstrated by the Promoting Opportunities Demonstration (POD). POD involved substantially more interaction with participants than SSA normally provides and only about one in four treatment group members reported their earnings for at least one month from January 2018 to December 2020 (Wittenburg, et. al., 2022). Given this past experience, relying on improved self-reporting of earnings is not a promising strategy to achieve meaningful results on overpayments.

STATUTORY CHANGES TO THE SSDI AND SSI WORK RULES

Experts have proposed many reforms to the SSDI and SSI programs to address work incentives and alter the structure of the programs. In addition, SSA has conducted many demonstrations projects aimed at testing changes in program rules to promote employment (Nichols, Hemmeter and Engler 2012). However, this work often fails to adequately consider SSA's administrative procedures, the burdens placed on individuals and the agency and their effect on outcomes of interest. For example, researchers have proposed eliminating the "cash cliff" in SSDI in favor of a benefit offset like the one in SSI. However, analysis of this proposal does not incorporate the impact of additional complexity on agency procedures, which in turn trigger interactions with beneficiaries that also impact behavior, such as notices, overpayments, reductions, suspensions and terminations of benefits and the threat of further loss in entitlement to other public benefits.

The Benefit Offset National Demonstration (BOND) provides lessons in the challenges SSA faces implementing more complex work incentive rules. In BOND, SSA rigorously tested replacing the SSDI cash cliff with a 50 percent benefit offset beginning when a beneficiary's earnings reached the SGA level. SSA found that the treatment group had no significant increase in work activity. The evaluation report also found, that SSA took a median of 22 months to adjust benefits based on the new offset rules (Gubits, et. al. 2013).

Other approaches have been proposed but have yet to be evaluated. Gokhale (2015) proposed replacing the current SSDI work rules with a Generalized Benefit Offset. Under this approach a beneficiary who worked could receive a subsidy to earnings at the margin. SSDI eligibility would be maintained with benefits adjusted if earnings changed. The Work Incentive Simplification Pilot (WISP) is a proposed change in rules that SSA considered but also has not tested. Under WISP, the SSDI TWP and EPE policies would be eliminated and SSA would simply suspend benefits for any month a beneficiary had earnings above the SGA level, allowing a beneficiary to retain program eligibility until SSA found they had medically improved (Wittenberg, Mann and Stapleton, 2012). SSA contracted with Abt Associates to convene a technical expert panel in 2019 to discuss ideas for earnings simplification related demonstration projects. Members of the technical panel expressed reservations regarding WISP because it continued the SSDI cash cliff (Gubits, et. al. 2019).

Recommendation: Adopt prospective eligibility and certification process to reduce work-related overpayments

To address both the large number and size of work-related overpayments, SSA must confront the fundamental challenges imposed by the monthly, retrospective process it uses to enforce a complex set of rules governing earnings, income and assets that results in a large number of work-related overpayments. In this section we describe a new prospective certification process to address work activity to incentivize work while reducing overpayments, administrative burden for SSA and compliance costs for beneficiaries. SSA can leverage new technology and authorities to access earnings data more quickly to address more fundamental process issues causing work-related overpayments.

Background on prospective eligibility

To develop this option, we considered a range of approaches used by other programs, including the United Kingdom and Canadian programs for providing income assistance for people with disabilities, the U.S. unemployment insurance program and the Supplemental Nutrition Assistance Program (SNAP). We found the approach used by SNAP to be most instructive because of important similarities to the SSDI and SSI programs. SNAP employs a prospective eligibility certification process that prevents many improper payments.

THE SUPPLEMENTAL NUTRITION ASSISTANCE PROGRAM

The Supplemental Nutrition Assistance Program (SNAP), formerly called Food Stamps, is a Federal program administered by the states with Federal oversight. The Federal government pays the full costs of benefits and generally half the cost of administering the program.²³ To be eligible for SNAP under federal rules (states can make some modifications), individuals must have gross income of 130 percent of the poverty line or less, net monthly income equal to or less than the poverty line and assets below certain limits. In 2022, the asset limit for SNAP is \$2,500 for households without a member who is age 60 or older or has a disability and \$3,750 for those with an older or disabled member.

SNAP uses a prospective eligibility period for participants, which means that when participants are found eligible for the program, they are certified for a given benefit level for a 12-month period.²⁴ During the 12-month certification period, changes in earnings do not need to be reported if household income is below a set threshold, generally 130 percent of the Federal poverty line. An interim report is often made to ensure income remains within the eligible range. However, the Federal government also allows states to use a variety of options for “simplified reporting” for participants, which may reduce reporting requirements. States may also make participants “categorically eligible” if they participate in certain means-tested Federal programs, including SSI and Temporary Assistance for Needy Families. Once a household is categorically eligible they have fewer reporting requirements and less restrictive rules in terms of assets and other eligibility factors.²⁵

SNAP’s prospective eligibility rules allow a participant’s income to fluctuate more with fewer changes in benefits levels. For example, in 2022, under federal guidelines, SNAP participants’ income can fluctuate up to 130 percent of the Federal poverty line, or \$1,472 per month for a one-person household and \$1,984 a month for

a two-person household. In contrast, under the SSI rules, changes in unearned income of more than \$20 a month, and earned income of more than \$65 a month, result in changes in the benefit amount and can lead to an overpayment. For SSDI beneficiaries who complete the Extended Period of Eligibility, monthly earnings above the 2022 SGA level of \$1,350 can lead to benefits being fully suspended and a potential overpayment.

SNAP participants have much higher rates of employment and earnings than SSDI and SSI beneficiaries, so there is a high potential for work-related overpayments. Yet the overpayment rate is lower than SSI overall, and much lower than the rate of overpayments among at-risk SSDI beneficiaries. Among all SNAP households, between 2015 and 2019, 31 percent had earnings in each year.²⁶ Among working-age adults without disabilities, over half of participants worked at one point in time in 2012, and 74 percent were working over a 25-month period (Keith-Jennings and Chaudhry, 2018). In contrast, as discussed earlier, 5.9 percent of SSI beneficiaries and 11.4 percent of SSDI beneficiaries had earnings in 2013.²⁷

At the same time, the SNAP overpayment rate was 6.2 percent in fiscal year 2020, compared to 8.1 percent for SSI.²⁸ In FY 2019, SSDI had an overpayment rate of 0.15 percent.²⁹ However, as discussed earlier, since most SSDI and SSI beneficiaries do not work, a more appropriate comparison would be to look at overpayment rates among those who work. The overpayment rate among SSDI beneficiaries with earnings and were at risk of work-related overpayments was 71 percent from 2010 to 2012 (Hoffman, et. al. 2019). However, we don't have overpayment rates for SNAP and SSDI among comparable at-risk populations.

While the prospective eligibility approach allows for more flexibility in the SNAP program to accommodate small changes in income below 130 percent of poverty, federal regulations still require States to respond quickly when increases in earnings could trigger a SNAP overpayment. States are required to resolve an issue no later than the quarter after the quarter in which the issue was identified, though states can propose alternative standards.³⁰ In addition, overpayment collections must be limited to the amount that can be collected in three years. States administering SNAP benefits rely substantially on quarterly UI wage data to comply with these requirements.

Proposal: Create a prospective eligibility period for SSI and SSDI beneficiaries who work and establish a benefit certification window

Under this proposal, SSDI and SSI beneficiaries who work will be scheduled for a work CDR or redetermination, which for purposes of this discussion we will refer to as a benefit recertification. The recertification would be scheduled based on earnings reports and SSA's predictive modeling. The length of the look-back period would be dependent on the complexity of the beneficiary's work history. During the recertification, SSA will look at prior third-party earnings data and reporting by the individual to determine the individual's monthly benefit level, with tolerances built in to account for small changes in earnings due to fluctuations in pay periods and other short-term anomalies. Beneficiaries will be certified to receive their benefit level based on their earnings record for a period of up to one year. During the certification period, beneficiaries must either report earnings correctly to SSA or consent to allow SSA to use earnings data, including third-party payroll provider data, like the Equifax WorkNumber, to monitor earnings and employment changes. If a beneficiary's earnings change, SSA will schedule a new recertification. Beneficiaries are held harmless for

increases in earnings that result in a reduction in benefits until SSA completes the recertification, at which point, the benefit level will be adjusted. In other words, a benefit reduction would only be applied to earnings after the recertification is completed. If a beneficiary stops or reduces work, they must report the change to SSA to receive an expedited increase in benefits or SSA will pay the beneficiary any underpaid amounts when the recertification is completed. Beneficiaries who do not consent to the use of Equifax data and do not report earnings promptly and correctly could be assessed an overpayment.

In contrast with the current monthly benefit determination process, this prospective eligibility until recertification approach would not trigger overpayments if earnings exceeded the expected level of earnings established during the certification. Instead, earnings in excess of the expected level given tolerances established by SSA, would trigger a recertification. If, due to resource or staffing constraints, SSA is unable to maintain an established certification schedule, the beneficiary would not be subject to an overpayment for earnings above the estimated level. However, if a beneficiary failed to cooperate in performing a certification, SSA could impose an overpayment and reduce or terminate benefits.

SSA would use its existing sources of data on earnings, including annual tax data, quarterly NDNH data and payroll data providers, such as the Equifax Work Number, in several ways. It would first be used to establish the appropriate initial benefit level given recent work experience. Evidence of an unstable work history could be the basis for a shorter work certification period. In addition, new and increased wages between certification periods could lead to a shortened certification period if wages are substantially higher than estimated. Under this last situation, a beneficiary could prospectively have their benefit reduced or terminated. The certification process would also identify and resolve situations in which errors occur in earnings reports.

Beneficiaries with no recent work history would not be part of the work-related benefit certifications. Once a beneficiary begins to work, earnings reports would trigger a certification. It is important that SSA monitor new wage data and respond to new earnings reports. We recommend instituting a one-time grace period for SSI beneficiaries who begin working for the first time, similar to the one available in SSDI. For SSI, redeterminations would continue normally for non-work-related eligibility factors. An SSI redetermination could be combined with a work-related certification if administratively feasible.

For SSDI, beneficiaries would not be subject to work-related certifications until they are close to completing their Trial Work Period (TWP). SSA would be expected to schedule certifications prior to beneficiaries using the three-month grace period at the beginning of the Extended Period of Eligibility. SSA will not always know when a beneficiary is close to completing their TWP, especially if they do not have access to the Equifax Work Number data or beneficiary self-reports. Consequently, for those beneficiaries for which only annual or quarterly earnings data is available, SSA's existing predictive model would more quickly trigger the scheduling of a certification upon evidence of earnings.

Under this approach, beneficiaries would not need to understand all the program work rules on an ongoing basis. Past surveys and demonstration projects provide evidence that many beneficiaries do not understand the existing work rules. Under this approach, benefits would be stable during the certification period and at recertification, SSA staff could explain the reason for any benefit adjustments.

Option: Test prospective eligibility until recertification in substantial portions of the country

Prospective eligibility until recertification could be adopted for all beneficiaries nationwide. More work is needed to determine whether this approach could be fully or partially implemented through administrative action, especially given the new authority under the BBA of 2015, or whether statutory changes may be needed. Alternatively, Congress could direct SSA to test this approach under existing SSDI and SSI demonstration authority in some regions of the country. Congress would take this action by amending Sections 234 and 1110(b) of the Social Security Act. Section 234 expired at the end of 2022 so both authorities would need to be amended and extended.

If this approach is used, we recommend an approach to a demonstration that avoids individual, random assignment evaluation designs and instead randomizes based on location. A demonstration project that includes an ability to influence the broader community messaging and informal social networking needs to be scaled to either an entire state or SSA region so that organizations helping people with disabilities in the treatment area can communicate a simple message. The region of the country should be large enough to measure the impact for not only beneficiaries overall but also new beneficiaries, given the potential that a new beneficiary's negative experiences with the work rules deters further work attempts. For the portion of the country used as a control, SSA would be expected to fully make use of NDNH and Equifax data in a manner that can be implemented nationally.

Should Congress consider testing this redesign, it could also consider adding an additional experiment to the evaluation plan, known as the Ultimate Demonstration. Abt Associates convened at SSA's initiative a technical expert panel (Gubits, et al, 2019) and one of their recommendations was to test removing all benefit reductions associated with working. Such a demonstration would be relatively easy to operationalize and would provide an indication of the full potential rates of work SSDI and SSI beneficiaries might undertake with no work penalties. It would also provide evidence of how a set of rules that greatly reduces the potential for work-related overpayments changes beneficiary's work rates.

EXPAND USE OF WAIVER AUTHORITY

SSA has the authority to waive overpayments, as discussed earlier, but has used the authority to a very limited extent. The Bipartisan Budget Act of 2015 authorized SSA to enter into agreements with payroll data providers to collect payroll data on a more real-time basis. The legislation provided that when benefit applicants and beneficiaries consent to have their earnings included in the third-party reports they will be protected from any errors or omissions in these reports. In other words, beneficiaries who consent to participate are no longer penalized for failing to self-report earnings. SSA has not decided how to use this new authority and it is unlikely the third-party reports will be as comprehensive as NDNH or IRS data.

SSA issued an advance notification in the Federal Register that it had entered into an agreement with Equifax to procure their payroll data which is available within 24 hours of when Equifax receives the data from an employer. In this notice, SSA affirmed that "Authorizing us to obtain information directly from a payroll data provider like Equifax protects the beneficiary or recipient from a penalty of non-payment or ineligibility under

section 1129A of the Act, for any omission or error from wages reported by Equifax. Additionally, we will find good cause and not subject recipients who receive SSI payments to a monetary deduction penalty of their payments under section 1631(e)(2) of the Act [7] if they fail or delay to report a change in employer and gave us the authorization to obtain information from Equifax.”³¹

SSA could use this new authority for those beneficiaries who agree to participate in third-party reporting, in combination with the long-standing authority to waive overpayments when a beneficiary is not at fault, to significantly reduce overpayments under its existing processes. Alternatively, SSA could use this authority to prospectively certify benefits for six months or a year or longer and waive any penalty for increased earnings during this period. Should the third-party payroll reports show substantial increases in earnings SSA could inform the beneficiary that the certification period is being shortened. However, SSA should be clear that no retrospective overpayments will be imposed.

AREAS FOR FURTHER RESEARCH

The SSDI findings in this paper have especially benefited from research by Denise Hoffman of Mathematica Policy Research through funding from SSA Retirement and Disability Research Consortium (SSA RDRC). However, comparable studies on SSI overpayments using SSA administrative data are needed. In addition, an in-depth survey of beneficiaries who made substantial work attempts and abandoned the effort permanently, or for extended periods of time, is needed to understand factors affecting work. Finally, SSA should evaluate how access to quarterly UI wage data through the NDNH impacted over- and underpayments to understand what progress has been made to date and inform how the agency uses newly authorized employer payroll data like that from Equifax.

Conclusion

SSDI and SSI beneficiaries who work must overcome many obstacles. A fear of experiencing a loss of benefits and substantial debt stemming from overpayment of benefits can further dampen work effort. Overpayments have been a feature of the SSI and SSDI disability programs for many decades and disproportionately affect beneficiaries of color and those with less education. Collecting overpayments is burdensome for SSA and many overpayments are never recovered. SSA has made improvements to the processes it uses to enforce work rules, but these improvements do not address the fundamental roots of the problem. The result is that beneficiaries with the greatest work potential are experiencing the largest overpayments and their repercussions.

Overpayments are a fixture of the current SSDI and SSI programs because SSA relies on a monthly retrospective process to adjust benefits due to earnings from work. To reduce work-related overpayments, we recommend adopting an approach based on prospective eligibility until recertification. This approach would adopt many features of the SNAP program’s approach to work rules. Additional study is needed to adapt the procedure to SSDI and SSI programs. In addition, SSA should expand use of its existing waiver authority and

Congress should increase the earnings disregarded for SSI to further encourage work and reduce harmful overpayments.

SSA is well-positioned to explore changes to its overpayment processes. Congress has given SSA authority to use timelier employer payroll data and the agency is still in the process of deciding how to implement that authority. The authority includes new protections to beneficiaries who authorize SSA to use employer payroll data, which could further help the agency reduce overpayments. In addition, the recent Executive Orders aimed at improving customer experience and advancing racial equity underscore the need to balance access to promised benefits alongside efforts to reduce improper payments.

Notes

- ¹ <https://www.whitehouse.gov/briefing-room/presidential-actions/2021/12/13/executive-order-on-transforming-federal-customer-experience-and-service-delivery-to-rebuild-trust-in-government/>
- ² <https://www.ssa.gov/pubs/EN-05-10029.pdf>
- ³ <https://www.ssa.gov/ssi/>
- ⁴ https://www.ssa.gov/OP_Home/cfr20/404/404-1505.htm
- ⁵ <https://www.ssa.gov/benefits/disability/>
- ⁶ Communication from SSA to Social Security Advisory Board on July 25, 2022.
- ⁷ <https://www.ssa.gov/policy/docs/statcomps/nbs/2015/index.html>
- ⁸ <https://www.ssa.gov/pubs/EN-64-030.pdf>
- ⁹ https://www.ssa.gov/legislation/testimony_061615.html. Since this chart was made SSA has obtained access to other third-party earnings reports so the IRS match is not the only source of earnings information SSA has.
- ¹⁰ <https://secure.ssa.gov/apps10/poms.nsf/lnx/0413010020>
- ¹¹ <https://www.federalregister.gov/documents/2021/01/19/2021-01026/use-of-electronic-payroll-data-to-improve-program-administration>
- ¹² www.theworknumber.com Accessed June 6, 2022.
- ¹³ <https://larson.house.gov/media-center/press-releases/larson-davis-social-security-should-not-expand-use-commercial-payroll>
- ¹⁴ <https://www.federalregister.gov/documents/2021/01/19/2021-01026/use-of-electronic-payroll-data-to-improve-program-administration>
- ¹⁵ <https://www.ssa.gov/legislation/Agency%20Annual%20Overpayment%20Waivers%20Report%202020.pdf>
- ¹⁶ <https://www.whitehouse.gov/wp-content/uploads/2021/03/M-21-19.pdf>
- ¹⁷ The more recent FY 2021 Agency Financial Report does not include this discussion, so we do not have estimates that reflect SSA's current leadership.
- ¹⁸ <https://oig.ssa.gov/audit-reports/2021-05-10-audits-and-investigations-audit-reports-A-15-20-50949/>
- ¹⁹ <https://www.ssa.gov/finance/2020/Payment%20Integrity.pdf>
- ²⁰ <https://www.ssa.gov/legislation/WorkCDRFY2021.pdf>
- ²¹ <https://secure.ssa.gov/poms.nsf/lnx/0428005205>
- ²² <https://www.ssa.gov/legislation/WorkCDRFY2021.pdf>
- ²³ <https://crsreports.congress.gov/product/pdf/R/R42505>
- ²⁴ https://fns-prod.azureedge.net/sites/default/files/snap/13-State_Options-revised.pdf
- ²⁵ <https://crsreports.congress.gov/product/pdf/R/R42054>
- ²⁶ <https://fns-prod.azureedge.us/sites/default/files/resource-files/Characteristics2019.pdf>
- ²⁷ <https://www.ssa.gov/policy/docs/rsnotes/rsn2015-02.html>. Tables 1 and 8.
- ²⁸ Program Integrity Scorecard report for SNAP for Q3 2021 as of February 7, 2022. <https://www.cfo.gov/wp-content/uploads/2021/09/Supplemental%20Nutrition%20Assistance%20Program%20Payments%20Integrity%20Scorecard%20FY%202021%20Q3.pdf> and Program Integrity Scorecard report for SSI for Q3 2021 as of February 7, 2022. <https://www.cfo.gov/wp-content/uploads/2021/09/Supplemental%20Nutrition%20Assistance%20Program%20Payments%20Integrity%20Scorecard%20FY%202021%20Q3.pdf>

content/uploads/2021/09/Supplemental%20Security%20Income%20Payments%20Integrity%20Scorecard%20FY%202021%20Q3.pdf

²⁹ <https://www.ssa.gov/finance/2020/Payment%20Integrity.pdf>

³⁰ 7 C.F.R. § 273.18(d)(1).

³¹ <https://www.federalregister.gov/documents/2021/01/19/2021-01026/use-of-electronic-payroll-data-to-improve-program-administration>

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