



# BRIEF

ISSUE BRIEF

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## Promoting Opportunity Demonstration: Summary of the Interim Findings

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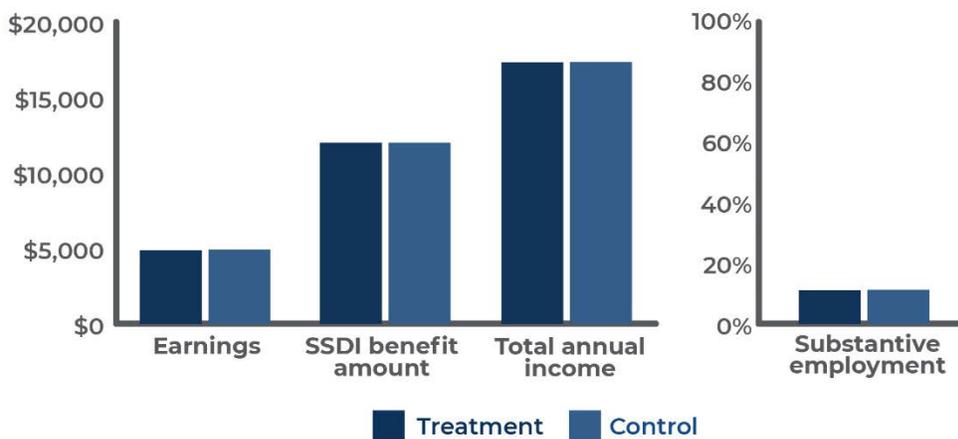
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## Executive Summary

- Background**
  - The Social Security Administration (SSA) is carrying out the Promoting Opportunity Demonstration (POD) to evaluate a benefit offset rule for Social Security Disability Insurance (SSDI) beneficiaries that reduces benefits by \$1 for every \$2 earned above a key threshold.
  - POD includes a rigorous evaluation to measure the impacts of the simplified work rules.
- Purpose**
  - This brief summarizes interim findings through the first year of POD's implementation.
  - We report on beneficiary understanding of work rules, use of the benefit offset, and impacts on earnings, benefit receipt, and income.
- Findings**
  - Beneficiary understanding of current and POD rules is limited. Without understanding the rules, beneficiaries may find it hard to adjust earnings to take advantage of rule simplifications.



- Nearly one in four treatment group members used the benefit offset, though this often led to overpayments. The average monthly offset amount among offset users was \$462.
- POD had no impact on beneficiary earnings, substantive employment (defined as annual earnings greater than the annual Substantial Gainful Activity amount), SSDI benefit amounts, or income. However, positive impacts among a few employment-related secondary outcomes suggest POD might motivate some beneficiaries to increase work.



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## **A. Introduction**

Legislators have a strong interest in promoting policies to enhance the employment of Social Security Disability Insurance (SSDI) beneficiaries. To help pursue this objective, Congress directed the Social Security Administration (SSA) to carry out the Promoting Opportunity Demonstration (POD). The demonstration tests changes in the relationship between earnings and benefit amounts. Current SSDI rules include provisions to promote work, however prior evidence indicates that the rules collectively potentially discourage beneficiaries from working (Ruh and Staubli 2019; Gelber et al. 2017; Maestas et al. 2013; Weathers and Hemmeter 2011; Schimmel et al. 2011). For example, under the current rules, beneficiaries risk losing their entire SSDI benefit amount if their earnings exceed the Substantial Gainful Activity amount. The POD rules simplify current rules, introducing a benefit offset that reduces benefits by \$1 for every \$2 in earnings above a certain amount and eliminating several complex provisions. POD's main goals are to promote employment, reduce dependency on benefits, and lessen administrative complexity.

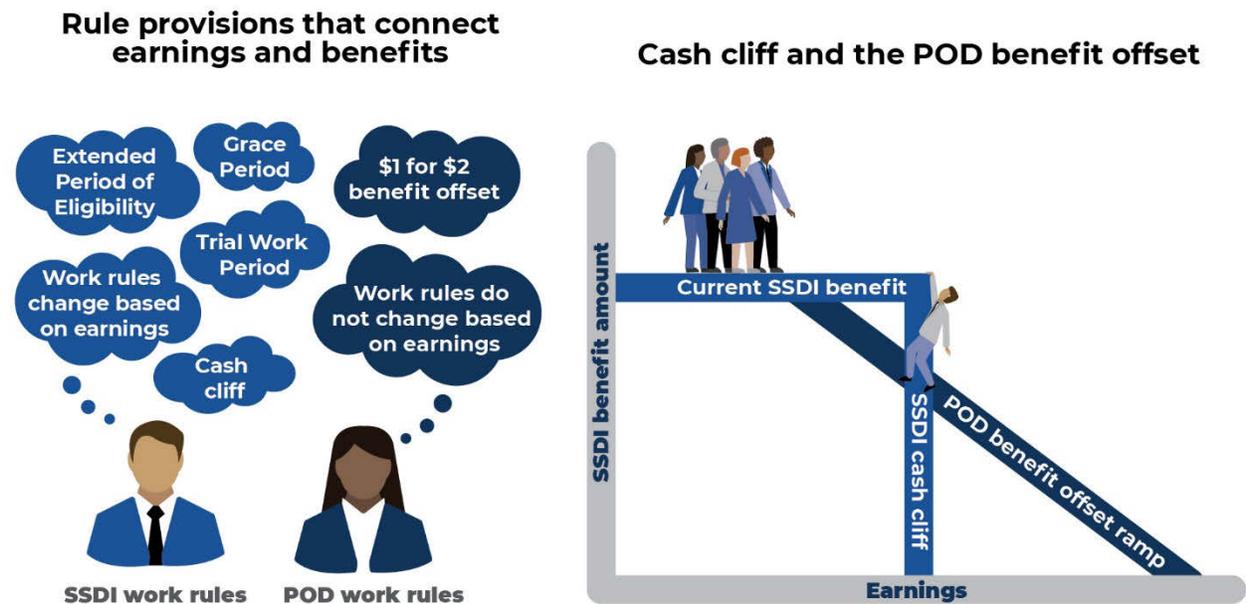
This brief summarizes findings from the first year of POD implementation (Mamun et al. 2021). The demonstration included 10,070 beneficiaries who voluntarily consented to participate. The volunteers were randomly assigned to either the new POD rules (treatment group) or current rules (control group). Nearly one in four treatment group members used the POD benefit offset and almost half engaged in individualized work incentive counseling services. However, there were no meaningful differences in the earnings and benefit outcomes between treatment and control group members. One challenge is that people had limited understanding of work incentive rules. This challenge may reflect both complexities of current rules and time needed to learn the new POD rules. A related challenge is that the benefit adjustment stemming from the offset often takes time, either because of delays in reporting or delays in processing earnings. This time lag could lead to further misunderstanding of how earnings affect benefit payments. Additionally, these impacts represent outcomes in the first calendar year after enrolling and it may take time for beneficiaries to find employment. Despite the lack of impacts, the findings provide important insights into responses to SSA work incentive modifications.

## **B. Background on POD work rules**

### **POD simplifies current work rules and replaces the SSDI cash cliff with a benefit offset**

POD simplifies current SSDI rules (Exhibit 1). Under current rules, a beneficiary's earnings history determines how earnings affect benefits. The current rules include a Trial Work Period and grace period that allow beneficiaries to test work without having benefits reduced. After a beneficiary works enough to complete these two periods, benefits are reduced to \$0 if a beneficiary earns more than the Substantial Gainful Activity amount, a phenomenon commonly called the cash cliff. Tracking how earnings affect benefits under current rules is potentially confusing to beneficiaries and administratively complex to track. POD removes these complexities by using rules that do not change regardless of a beneficiary's earnings history. As one example, several provisions under current rules do not apply under POD rules, such as the Trial Work Period, grace period, and extended period of eligibility (see Mamun et al. 2021 for a more detailed discussion of these simplifications).

## Exhibit 1. Comparison of current SSDI and POD work rules



POD also replaces the current cash cliff with a benefit offset (Exhibit 1). The POD rules feature a benefit offset ramp: a \$1 decrease in benefits for every \$2 in monthly earnings above a POD threshold, chosen to align with the Trial Work Period amount (which was \$910 in 2020).<sup>1</sup>

The theoretical effects of POD are ambiguous, despite the rule simplifications shown in Exhibit 1. POD rules are easier to understand than current rules, so beneficiaries might be more likely to optimize earnings behavior to take advantage of them. The rules also eliminate the large negative disincentive associated with having earnings exceed the Substantial Gainful Activity amount because of the cash cliff. Conversely, the POD benefit offset reduces total income—earnings plus benefits—relative to current rules for beneficiaries who have not yet completed their Trial Work Period or for beneficiaries with earnings exceeding the Trial Work Period amount but less than the Substantial Gainful Activity amount.

### POD enrolled 10,070 working-age SSDI beneficiaries volunteers across eight states

From January 2018 to January 2019, 10,070 working-age SSDI beneficiaries enrolled in POD across eight states: Alabama, California, Connecticut, Maryland, Michigan, Nebraska, Texas, and Vermont. Participating in POD is voluntary, and participants can withdraw from the demonstration at any time.

Beneficiaries who enrolled in POD are not representative of the broader population of SSDI beneficiaries. For example, those who volunteered to enroll in POD were relatively more

<sup>1</sup> POD also includes special provisions for beneficiaries who have Impairment-Related Work Expenses (IRWE). If the total monthly amount of IRWE is greater than the POD threshold, SSA uses the total monthly amount of itemized IRWE as the monthly POD threshold for the POD benefit offset, up to a maximum of the Substantial Gainful Activity amount (which was \$1,260 for non-blind beneficiaries and \$2,110 for blind beneficiaries in 2020). SSA deducts approved IRWE under current rules.

connected to work than other beneficiaries who did not enroll, with 15 percent of enrollees having earnings at or above the Substantial Gainful Activity amount in the years before enrolling, about 2.5 times the rate of nonvolunteers. Nonetheless, among POD enrollees, treatment and control group members were, on average, equivalent in their characteristics at the time of enrollment, laying the foundation for generating unbiased estimates of POD's impacts.

### **C. Key interim findings for POD**

#### **Beneficiary understanding of current and POD rules is limited**

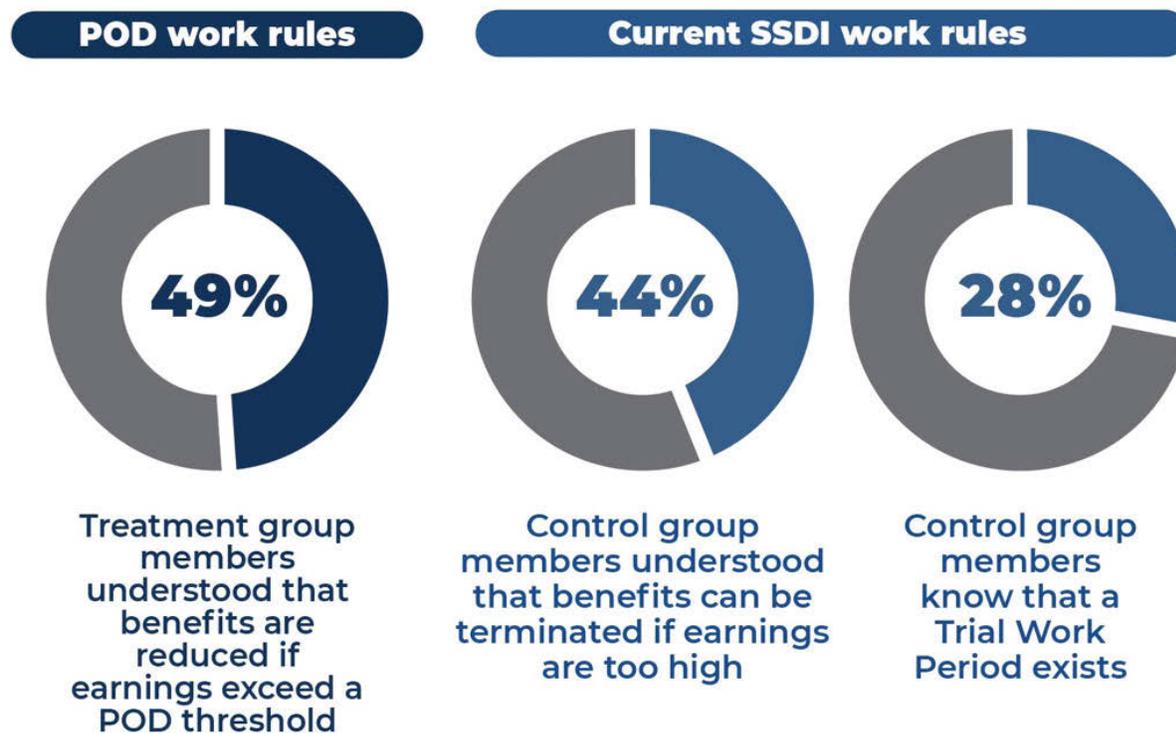
Treatment and control group members struggled to summarize how program rules affect earnings (Exhibit 2). When asked in a survey, only about half (49 percent) of treatment group members correctly understood that POD work rules reduce their monthly benefits for earnings above a threshold level. One factor that may limit understanding of the POD rules is that people who are not working do not experience changes in benefits. We find that understanding was stronger among those who had used the benefit offset within the first 12 months (70 percent) than those who had not (42 percent). Nonetheless, even a substantive share of offset users did not fully understand these rules (30 percent). Control group members also struggled to understand the provisions of current rules. About one-quarter (28 percent) of control group members knew the Trial Work Period exists and less than half (44 percent) correctly understood their benefits could eventually be terminated because of high earnings. Both treatment and control group members have access to work incentive counseling that can help them understand the rules.<sup>2</sup>

The findings raise concerns about the understanding of work rules among both treatment and control group members. This limited understanding of the rules provides important context for the interim outcomes of both groups.

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<sup>2</sup> POD offered work incentives and benefits counseling modeled after the benefits counseling delivered under Work Incentive Planning and Assistance services available to all SSDI beneficiaries. These services included informational contact as beneficiaries enrolled in POD, information and referral to inform treatment group members about the benefit offset rules and refer beneficiaries to other service providers, and individualized work incentive counseling that educated beneficiaries how their earnings would affect SSDI benefits under POD and assisted with monthly earnings reporting. About 80 percent of treatment group members at least participated in information and referral services, with about 43 percent using individualized work incentive counseling.

## Exhibit 2. Beneficiary understanding of current and POD rules is limited



Source: POD one-year follow-up survey.

Note: The following three questions assessed beneficiary understanding of POD and current SSDI rules: (1) Under POD, are your benefits reduced at any time if your monthly earnings are above a level that SSA set for POD? (2) Under current SSDI rules, do your benefits ever terminate if your earnings are too high? (3) Under current SSDI rules, do you have a Trial Work Period where your benefits remain unchanged regardless of your earnings? The sample size was 2,635 treatment group members and 1,438 control group members.

### Many treatment group members used the offset, though this often led to overpayments

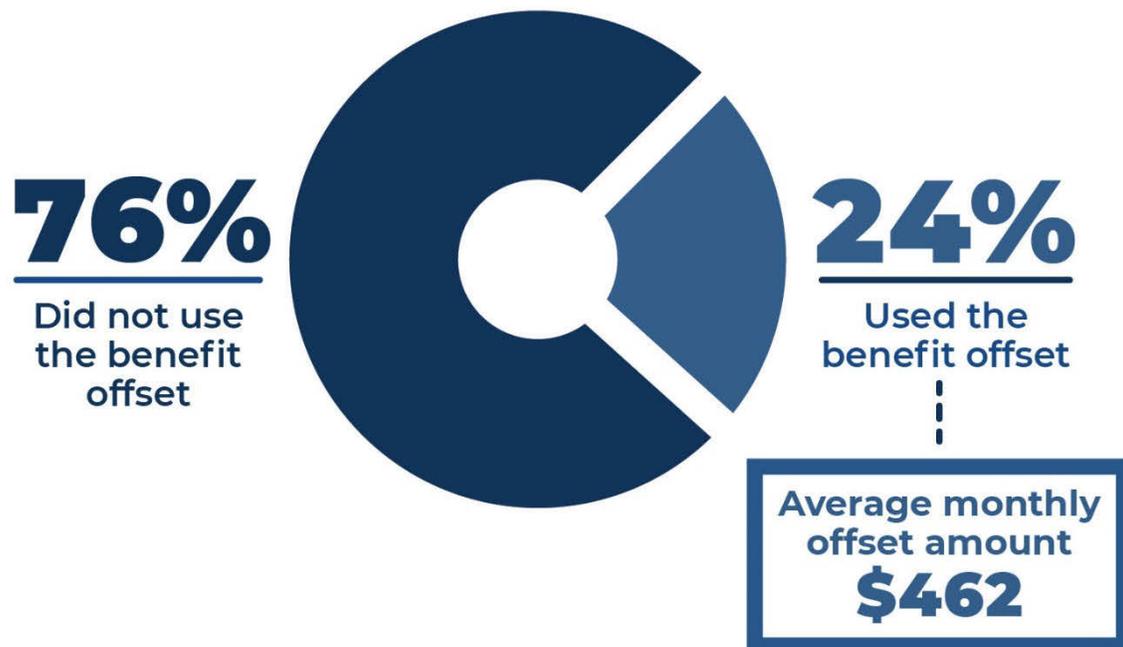
Nearly one-quarter of treatment group members used the POD benefit offset by the end of 2019 (Exhibit 3). Among offset users, the average monthly offset amount was \$462. This represented just under half of the average monthly SSDI benefit amount these beneficiaries received at enrollment.

Treatment group members and POD counselors noted challenges in tracking and submitting earnings information. Factors such as beneficiaries' educational background, low level of computer literacy, life stressors, and poor record-keeping skills hindered timely reporting, leading to delays in benefit adjustment. Accurately capturing monthly earnings was also challenging, primarily because the information on pay stubs is highly variable.

Nearly three-quarters (69 percent) of benefit offset users in 2018 experienced a work-related overpayment. To put this result in context, 65 percent of SSDI beneficiaries who had enough earnings to have benefits suspended or terminated experienced an overpayment in 2010 (Hoffman et al. 2019). The average monthly overpayment for POD benefit offset users who were overpaid was \$341. In contrast, because of the cash cliff, the monthly overpayment amount for any beneficiaries who are overpaid under current SSDI rules would equal their full benefit

amount, which averaged \$1,035 for all POD enrollees (Hock et al. 2020). In qualitative reports, some treatment group members found these reductions unexpected. These treatment group members noted that the negative income shock from the temporary lower benefit prompted them to reduce their future work hours to protect against what they perceived as future uncertainty in benefit payments.

### Exhibit 3. Many treatment group members used the POD benefit offset



Source: Programmatic data provided by Abt.

Note: Offset users include 27 treatment group members who were only in offset in months in which they experienced benefit termination, 21 of whom experienced medical terminations and 6 of whom experienced work terminations. We counted these treatment group members as offset users because their terminations could be appealed and overturned. The sample size was 6,700 combined treatment group members. The average monthly offset amount was calculated among the 1,604 treatment group members who used the benefit offset by the end of 2019.

### POD had no impact across all four primary outcomes

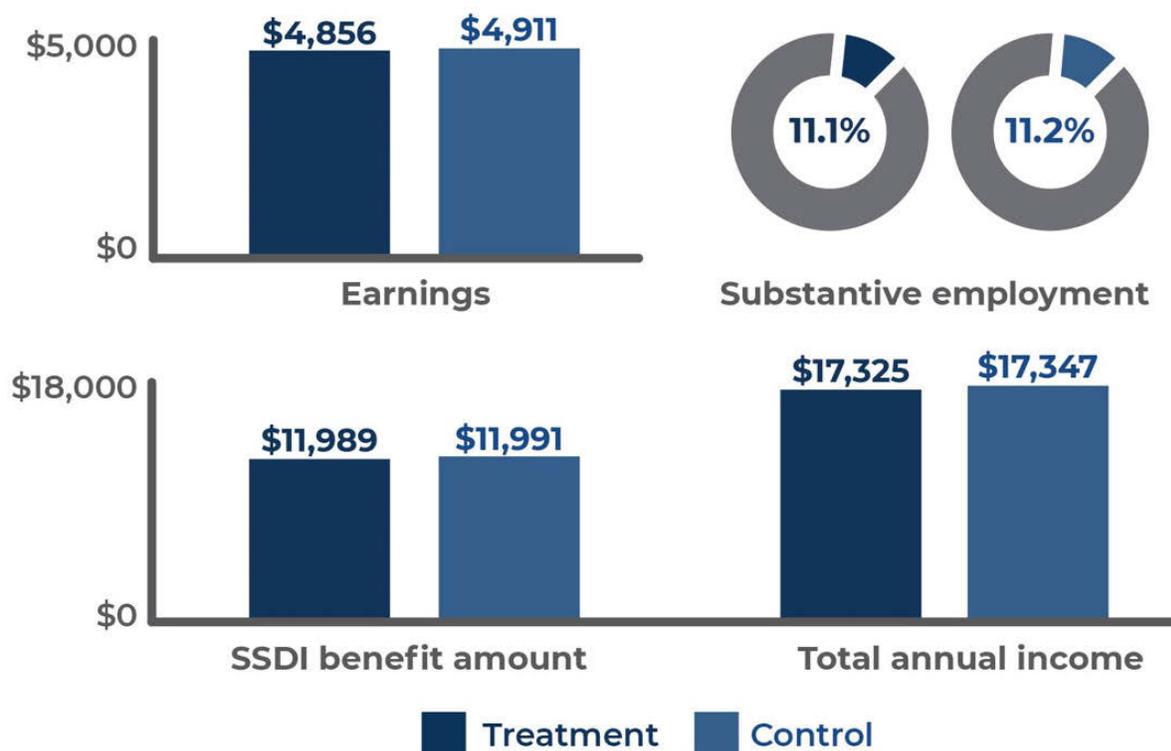
The evaluation assesses POD's efficacy using four primary outcomes: earnings, substantive employment (annual earnings greater than the annualized Substantial Gainful Activity amount of \$14,640), SSDI benefit amounts, and income. These outcomes are consistent with the Congressional intent of the legislation authorizing POD.<sup>3</sup> If POD rules effectively encourage beneficiaries to work relative to current SSDI rules, then treatment group members should see increased employment and earnings relative to control group members. If the earnings of

<sup>3</sup> Section 234 provides SSA with authority to "carry out experiments and demonstration projects designed to promote attachment to the labor force and determine the advantages and disadvantages of alternative methods of treating the work activity of individuals entitled to disability insurance." See [https://www.ssa.gov/OP\\_Home/ssact/title02/0234.htm](https://www.ssa.gov/OP_Home/ssact/title02/0234.htm) (accessed April 9, 2021).

treatment group members increase, total SSDI benefit amounts may decrease based on their use of the offset.

We found no statistical differences between those assigned to the treatment and control groups for any of the primary outcomes (Exhibit 4). In addition, the differences were small in magnitude; even accounting for potential uncertainty associated with the estimated impacts, we can rule out a large impact of POD. The results did not meaningfully change when we examined impacts across subgroups of interest, including by beneficiary employment at the time of enrollment, age, education level, and primary diagnosis.

**Exhibit 4. POD had no impact on primary outcomes**



Source: Authors' calculations using SSA program records.

Note: The figure shows the unadjusted control group mean and regression-adjusted treatment group mean, pooling together those assigned to each of the two treatment groups. The estimated impact is the difference between the treatment and control group means. Substantive employment is an indicator for having total annual earnings above the annualized SGA amount. All outcomes are measured for calendar year 2019, except for SSDI benefit amount, which is measured for the 12 months after POD enrollment.

**POD had positive impacts on other employment-related secondary outcomes**

We found evidence of emerging impacts of POD on other outcomes. These outcomes include self-reported employment status, active job search status, and VR applications. Though positive, the effects sizes were relatively small in magnitude. We also found that POD reduced the number of months SSDI benefits were suspended or terminated because of work. This latter finding is likely because the POD benefit offset provides a partial benefit when benefits would otherwise be suspended or terminated under current SSDI work rules.

## D. Discussion

The findings from POD have broad implications for policymakers interested in improving work outcomes for SSDI beneficiaries. Existing SSDI beneficiaries volunteered for the demonstration, with volunteers especially likely to be interested in working. Nearly one out of four engaged with the benefit offset, leading such beneficiaries to experience changes in their SSDI benefit amounts. Yet POD had no aggregate effects on employment outcomes nor on benefit amounts.

Two important challenges with ramifications for broader SSDI policy may help explain the lack of impacts. First, beneficiaries have a limited understanding of current rules and POD rules. One of the goals of POD was to simplify the rules, yet many POD treatment group members did not understand the premise of benefits being reduced if earnings exceeded a given threshold. Without this understanding, it is difficult to see how beneficiaries could optimize earnings to take advantage of POD rules, limiting the potential for impacts. Second, overpayments remained relatively common under POD rules. The accompanying temporary reductions in benefits payments made to recuperate overpayments can create confusion for beneficiaries and might inhibit employment responses.

Future efforts to promote employment outcomes for beneficiaries can draw on several important lessons from POD. One lesson is the challenge of overcoming confusion in understanding complex rules for how earnings affect benefits. Despite simplifications, many treatment group members still struggled to understand rules. One potential avenue to consider in the future is modifying the current demonstration authority to allow changes to program rules for new SSDI awardees. New awardees have not been exposed to current rules and, hence, might not face the same confusion from a rule change. Another lesson is that overpayments continue to create complications for beneficiaries. Any efforts leading to benefit adjustments might consider ways to streamline earnings reporting, potentially directly involving employers, to ensure a timely adjustment to benefits. The improved transparency associated with timely adjustment of benefits may also help beneficiaries more clearly understand the connection between their earnings and benefits.

The forthcoming final report for POD will document results across 2019 and 2020. It will comprehensively assess key process, participation, and impact outcomes over the full period of POD implementation. The final report will also interpret findings within the context of the COVID-19 pandemic, which will presumably influence the outcomes of all beneficiaries. Despite the macroeconomic shock of the pandemic, POD's randomized experimental design still allows us to assess whether there were differences in how treatment and control group members engaged in program rules and related services (such as benefits counseling). The findings in the final report will also provide an assessment of how the pandemic affected the outcomes for both groups, which could be important for informing work support policies in the recovery period.

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