

cooperative agreement funds to certain States under our State Partnership Initiative (SPI) program. In 1998, under the SPI program, SSA awarded five-year cooperative agreements to a number of States to develop innovative and enhanced systems for the coordination and delivery of rehabilitation, employment, and other support services to assist adults who are recipients of SSI benefits based on disability or blindness, or who are Social Security Disability Insurance (SSDI) beneficiaries, to enter and remain in the workforce and reduce their dependence on SSI and SSDI benefits.

We are conducting the SSI Work Incentives Demonstration Project, which consists of two models, in conjunction with the testing of the enhanced service delivery systems employed in the SPI projects in the States of California, New York, Vermont and Wisconsin. Our overall objective in conducting this project is to demonstrate whether certain modifications of the SSI program rules, in combination with the enhanced service delivery systems employed in the SPI projects in these States, are effective in promoting the return-to-work efforts of disabled or blind SSI recipients. The four States are collecting data for each project participant regarding identifying information, educational and vocational background, services provided, work attempts and outcomes, and use of the alternative SSI program rules. Each State will use the data to evaluate the effectiveness of the alternative SSI program rules and enhanced service delivery systems under the project in that State. The data will also be used by evaluators under contract with SSA to perform a process evaluation and a net outcomes evaluation.

Participants in the SSI Work Incentives Demonstration Project

To be a participant in the SSI Work Incentives Demonstration Project, an individual must be a disabled or blind SSI recipient or concurrent SSI/SSDI beneficiary who is enrolled as a participant in the SPI cooperative agreement project in California, New York, Vermont or Wisconsin. An enrollee in one of the SPI projects becomes a participant in the SSI Work Incentives Demonstration Project by providing a voluntary written consent to be a participant in the SSI demonstration project. The individual's consent to participate in the SSI Work Incentives Demonstration Project may be revoked by the individual at any time. In addition, an individual's status as a participant in the SSI Work Incentives Demonstration Project will

end if his or her participation in the SPI project ends.

Alternative SSI Program Rules That Apply to Participants in the SSI Work Incentives Demonstration Project

The alternative SSI program rules that we are testing under the demonstration project consist of the following four elements. Elements 1 through 3 apply to participants in the project who are SSI-only recipients or concurrent SSI/SSDI beneficiaries. Element 4 only applies to participants who are SSI-only recipients; it does not apply to concurrent SSI/SSDI beneficiaries.

1. "Three-for-Four"—Increase Earned Income Exclusion

SSA is testing the effectiveness, as a work incentive, of using a modified earned income exclusion in determining an SSI recipient's countable income for SSI program purposes. Under this alternative rule, SSA will exclude the first \$65 of a project participant's monthly earned income plus an additional 75 percent of any remaining gross monthly earned income, or an additional \$3 for every \$4 earned. This differs from the current rules under which SSA excludes the first \$65 of monthly earned income plus an additional 50 percent of any remaining gross monthly earned income, or an additional \$1 for every \$2 earned.

2. "Unearned Income Related to Work Activity"—Treat as Earned Income

SSA is testing, as an additional work incentive, treating certain types of temporary unearned income related to work activity in the same manner as earned income is treated under element 1 above for purposes of determining an SSI recipient's countable income. That is, for a project participant, SSA will exclude the first \$65 per month of certain types of unearned income that result from work activity plus 75 percent of the remainder of such unearned income in a month. This differs from current SSI rules under which SSA excludes the first \$20 of unearned income in a month. The only types of temporary unearned income that result from work activity that are subject to this alternative rule are: unemployment insurance benefits, worker's compensation benefits, State disability benefits, and disability-related benefits paid through private insurance plans. Other types of benefits, such as Social Security benefits or veterans benefits from the Department of Veterans Affairs, will continue to be treated as unearned income based on current rules.

3. "Independence Account"—Create New Resource Exclusion

SSA is testing the use of an additional resource exclusion as a work incentive. Under this alternative rule, SSA allows a project participant to maintain an "Independence Account" as a resource, beyond the current \$2,000 resource limit. For purposes of determining an SSI recipient's countable resources, SSA will exclude monies conserved (including any accrued interest) in one separate account for saved wages, not to be commingled with other monies, and with deposits limited to 50 percent of gross earnings, not to exceed \$8,000 per year. The account may be a checking or savings account, certificate of deposit, money market or mutual fund account. It cannot be any type of retirement plan such as an IRA, Roth IRA, 401(k) plan, or 403(b) plan. The period during which a participant is permitted to deposit a portion of his or her wages into an "Independence Account" will end when this altered SSI program rule terminates or, if earlier, when he or she ceases to be a project participant. Following the close of the period for making deposits, SSA will provide the individual a 24-month spend-down period during which the resource exclusion under this alternative rule will continue to apply to monies in the account.

4. "Medical Continuing Disability Reviews"—Suspend for Certain Participants

SSA is testing suspending medical continuing disability reviews (CDRs) as a work incentive for certain individuals. SSA is suspending medical CDRs for participants in the demonstration project who are SSI-only recipients with "medical improvement possible" or "medical improvement not expected" diaries. For a project participant meeting these criteria, SSA will not initiate a medical CDR during the period this alternative rule is in effect, so long as the individual remains a project participant. The suspension of CDRs does not apply to redeterminations of disability that are required for childhood disability recipients who attain age 18.

The Two Models of the SSI Work Incentives Demonstration Project

Model one of the demonstration project uses the alternative SSI program rules described in items 1 through 4 above, and is being carried out in conjunction with the SPI projects in California, New York, and Wisconsin. Model two of the demonstration project uses the alternative SSI program rules