

TICKET TO WORK AND SELF-SUFFICIENCY ACT OF 1998

MAY 18, 1998.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ARCHER, from the Committee on Ways and Means,  
submitted the following

REPORT

[To accompany H.R. 3433]

[Including cost estimate of the Congressional Budget Office]

The Committee on Ways and Means, to whom was referred the bill (H.R. 3433) to amend the Social Security Act to establish a Ticket to Work and Self-Sufficiency Program in the Social Security Administration to provide beneficiaries with disabilities meaningful opportunities to return to work and to extend Medicare coverage for such beneficiaries, and to amend the Internal Revenue Code of 1986 to provide a tax credit for impairment-related work expenses, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

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The amendments are as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

**SECTION 1. SHORT TITLE AND TABLE OF CONTENTS.**

(a) SHORT TITLE.—This Act may be cited as the “Ticket to Work and Self-Sufficiency Act of 1998”.

(b) TABLE OF CONTENTS.—The table of contents is as follows:

Sec. 1. Short title and table of contents.
Sec. 2. The Ticket to Work and Self-Sufficiency Program.
Sec. 3. Extending medicare coverage for OASDI disability benefit recipients who are using tickets to work and self-sufficiency.
Sec. 4. Technical amendments relating to drug addicts and alcoholics.
Sec. 5. Extension of disability insurance program demonstration project authority.
Sec. 6. Perfecting amendments related to withholding from social security benefits.
Sec. 7. Treatment of prisoners.
Sec. 8. Revocation by members of the clergy of exemption from social security coverage.
Sec. 9. Additional technical amendment relating to cooperative research or demonstration projects under titles II and XVI.

**SEC. 2. THE TICKET TO WORK AND SELF-SUFFICIENCY PROGRAM.**

(a) IN GENERAL.—Part A of title XI of the Social Security Act (42 U.S.C. 1301 et seq.) is amended by adding at the end the following new section:

“THE TICKET TO WORK AND SELF-SUFFICIENCY PROGRAM

“SEC. 1147. (a) IN GENERAL.—The Commissioner of Social Security shall establish a Ticket to Work and Self-Sufficiency Program, under which a disabled beneficiary may use a ticket to work and self-sufficiency issued by the Commissioner in accordance with this section to obtain employment services, vocational rehabilitation services, or other support services from an employment network which is of the beneficiary’s choice and which is willing to provide such services to such beneficiary.

“(b) TICKET SYSTEM.—

“(1) DISTRIBUTION OF TICKETS.—The Commissioner of Social Security may issue a ticket to work and self-sufficiency to disabled beneficiaries for participation in the Program.

“(2) ASSIGNMENT OF TICKETS.—A disabled beneficiary holding a ticket to work and self-sufficiency may assign the ticket to any employment network of the beneficiary’s choice which is serving under the Program and is willing to accept the assignment.

“(3) TICKET TERMS.—A ticket issued under paragraph (1) shall consist of a document which evidences the Commissioner’s agreement to pay (as provided in paragraph (4)) an employment network, which is serving under the Program and to which such ticket is assigned by the beneficiary, for such employment services, vocational rehabilitation services, and other support services as the employment network may provide to the beneficiary.

“(4) PAYMENTS TO EMPLOYMENT NETWORKS.—The Commissioner shall pay an employment network under the Program in accordance with the outcome payment system under subsection (h)(2) or under the outcome-milestone payment system under subsection (h)(3) (whichever is elected pursuant to subsection (h)(1)). An employment network may not request or receive compensation for such services from the beneficiary.

“(c) STATE PARTICIPATION.—

“(1) PERIODIC ELECTIONS.—Each State agency administering or supervising the administration of the State plan approved under title I of the Rehabilitation act of 1973 may elect to participate in the Program (or to revoke any such election) as an employment network. The Commissioner shall provide for periodic opportunities for exercising such elections (and revocations).

“(2) TREATMENT OF STATE AGENCIES.—Any such election (or revocation) by a State agency described in paragraph (1) taking effect during any period for which an individual residing in the State is a disabled beneficiary and a client of the State agency shall not be effective with respect to such individual to the extent that such election (or revocation) would result in any change in the method of payment to the State agency with respect to the individual from the method of payment to the State agency with respect to the individual in effect immediately before such election (or revocation).

“(3) EFFECT OF PARTICIPATION BY STATE AGENCY.—

“(A) STATE AGENCIES PARTICIPATING.—In any case in which a State agency described in paragraph (1) elects under paragraph (1) to participate in the Program—

“(i) the employment services, vocational rehabilitation services, and other support services which, upon assignment of tickets to work and self-sufficiency, are provided to disabled beneficiaries by the State agency acting as an employment network shall be governed by plans for vocational rehabilitation services approved under title I of the Rehabilitation Act of 1973, and

“(ii) the provisions of section 222(d) and the provisions of subsections (d) and (e) of section 1615 shall not apply with respect to such State.

“(B) STATE AGENCIES ADMINISTERING MATERNAL AND CHILD HEALTH SERVICES PROGRAMS.—Subparagraph (A) shall not apply with respect to any State agency administering a program under title V of this Act.

“(4) SPECIAL REQUIREMENTS APPLICABLE TO CROSS-REFERRAL TO CERTAIN STATE AGENCIES.—

“(A) IN GENERAL.—In any case in which an employment network has been assigned a ticket to work and self-sufficiency by a disabled beneficiary, no State agency shall be deemed required, under this section, title I of the Rehabilitation Act of 1973, or a State plan approved under such title, to accept any referral of such disabled beneficiary from such employment network unless such employment network and such State agency have entered into a written agreement that meets the requirements of subparagraph (B).

“(B) TERMS OF AGREEMENT.—An agreement required by subparagraph (A) shall specify, in accordance with regulations prescribed pursuant to subparagraph (C)—

“(i) the extent (if any) to which the employment network holding the ticket will provide to the State agency—

“(I) reimbursement for costs incurred in providing services described in subparagraph (A) to the disabled beneficiary, and

“(II) other amounts from payments made by the Commissioner to the employment network pursuant to subsection (h), and

“(ii) any other conditions that may be required by such regulations.

“(C) REGULATIONS.—The Commissioner of Social Security and the Secretary of Education shall jointly prescribe regulations specifying the terms of agreements required by subparagraph (A) and otherwise necessary to carry out the provisions of this paragraph.

“(D) PENALTY.—No payment may be made to an employment network pursuant to subsection (h) in connection with services provided to any disabled beneficiary if such employment network makes referrals described in subparagraph (A) in violation of the terms of the contract required under subparagraph (A) or without having entered into such a contract.

“(d) RESPONSIBILITIES OF THE COMMISSIONER OF SOCIAL SECURITY.—

“(1) SELECTION AND QUALIFICATIONS OF PROGRAM MANAGERS.—The Commissioner of Social Security shall enter into agreements with one or more organizations in the private or public sector for service as a program manager to assist the Commissioner in administering the Program. Any such program manager

shall be selected by means of a competitive bidding process, from among organizations in the private or public sector with available expertise and experience in the field of vocational rehabilitation or employment services.

“(2) TENURE, RENEWAL, AND EARLY TERMINATION.—Each agreement entered into under paragraph (1) shall provide for early termination upon failure to meet performance standards which shall be specified in the agreement and which shall be weighted to take into account any performance in prior terms. Such performance standards shall include (but are not limited to)—

“(A) measures for ease of access by beneficiaries to services, and

“(B) measures for determining the extent to which failures in obtaining services for beneficiaries fall within acceptable parameters, as determined by the Commissioner.

“(3) PRECLUSION FROM DIRECT PARTICIPATION IN DELIVERY OF SERVICES IN OWN SERVICE AREA.—Agreements under paragraph (1) shall preclude—

“(A) direct participation by a program manager in the delivery of employment services, vocational rehabilitation services, or other support services to beneficiaries in the service area covered by the program manager’s agreement, and

“(B) the holding by a program manager of a financial interest in an employment network or service provider which provides services in a geographic area covered under the program manager’s agreement.

“(4) SELECTION OF EMPLOYMENT NETWORKS.—The Commissioner shall select and enter into agreements with employment networks for service under the Program. Such employment networks shall be in addition to State agencies serving as employment networks pursuant to elections under subsection (c).

“(5) TERMINATION OF AGREEMENTS WITH EMPLOYMENT NETWORKS.—The Commissioner shall terminate agreements with employment networks for inadequate performance, as determined by the Commissioner.

“(6) QUALITY ASSURANCE.—The Commissioner shall provide for such periodic reviews as are necessary to provide for effective quality assurance in the provision of services by employment networks. The Commissioner shall take into account the views of consumers and the program manager under which the employment networks serve and shall consult with providers of services to develop performance measurements. The Commissioner shall ensure that the results of the periodic reviews are made available to beneficiaries who are prospective service recipients as they select employment networks. The Commissioner shall ensure the performance of periodic surveys of beneficiaries receiving services under the Program designed to measure customer service satisfaction.

“(7) DISPUTE RESOLUTION.—The Commissioner shall provide for a mechanism for resolving disputes between beneficiaries and employment networks and between program managers and employment networks. The Commissioner shall afford a party to such a dispute a reasonable opportunity for a full and fair review of the matter in dispute.

“(e) PROGRAM MANAGERS.—

“(1) IN GENERAL.—A program manager shall conduct tasks appropriate to assist the Commissioner in carrying out the Commissioner’s duties in administering the Program.

“(2) RECRUITMENT OF EMPLOYMENT NETWORKS.—A program manager shall recruit, and recommend for selection by the Commissioner, employment networks for service under the Program. The program manager shall carry out such recruitment and provide such recommendations, and shall monitor all employment networks serving in the Program in the geographic area covered under the program manager’s agreement, to the extent necessary and appropriate to ensure that adequate choices of services are made available to beneficiaries. Employment networks may serve under the Program only pursuant to an agreement entered into with the Commissioner under the Program incorporating the applicable provisions of this section and regulations thereunder, and the program manager shall provide and maintain assurances to the Commissioner that payment by the Commissioner to employment networks pursuant to this section is warranted based on compliance by such employment networks with the terms of such agreement and this section. The program manager shall not impose numerical limits on the number of employment networks to be recommended pursuant to this paragraph.

“(3) FACILITATION OF ACCESS BY BENEFICIARIES TO EMPLOYMENT NETWORKS.—A program manager shall facilitate access by beneficiaries to employment networks. The program manager shall ensure that each beneficiary is allowed changes in employment networks for good cause, as determined by the Commissioner, without being deemed to have rejected services under the Program. The

program manager shall establish and maintain lists of employment networks available to beneficiaries and shall make such lists generally available to the public. The program manager shall ensure that all information provided to disabled beneficiaries pursuant to this paragraph is provided in accessible format.

“(4) ENSURING AVAILABILITY OF ADEQUATE SERVICES.—The program manager shall ensure that employment services, vocational rehabilitation services, and other support services are provided to beneficiaries throughout the geographic area covered under the program manager’s agreement, including rural areas.

“(5) REASONABLE ACCESS TO SERVICES.—The program manager shall take such measures as are necessary to ensure that sufficient employment networks are available and that each beneficiary receiving services under the Program has reasonable access to employment services, vocational rehabilitation services, and other support services. Such services may include case management, benefits counseling, supported employment, career planning, career plan development, vocational assessment, job training, placement, follow-up services, and such other services as may be specified by the Commissioner under the Program. The program manager shall ensure that such services are coordinated.

“(f) EMPLOYMENT NETWORKS.—

“(1) QUALIFICATIONS FOR EMPLOYMENT NETWORKS.—Each employment network serving under the Program shall consist of an agency or instrumentality of a State (or a political subdivision thereof) or a private entity, which assumes responsibility for the coordination and delivery of services under the Program to individuals assigning to the employment network tickets to work and self-sufficiency issued under subsection (b). No employment network may serve under the Program unless it demonstrates to the Commissioner substantial expertise and experience in the field of employment services, vocational rehabilitation services, or other support services for individuals with disabilities and provides an array of such services. An employment network shall consist of either a single provider of such services or of an association of such providers organized so as to combine their resources into a single entity. An employment network may meet the requirements of subsection (e)(4) by providing services directly, or by entering into agreements with other individuals or entities providing appropriate employment services, vocational rehabilitation services, or other support services.

“(2) REQUIREMENTS RELATING TO PROVISION OF SERVICES.—Each employment network serving under the Program shall be required under the terms of its agreement with the Commissioner to—

“(A) serve prescribed service areas,

“(B) meet, and maintain compliance with, both general selection criteria (such as professional and governmental certification and educational credentials) and specific selection criteria (such as the extent of work experience by the provider with specific populations), and

“(C) take such measures as are necessary to ensure that employment services, vocational rehabilitation services, and other support services provided under the Program by, or under agreements entered into with, the employment network are provided under appropriate individual work plans meeting the requirements of subsection (g).

“(3) ANNUAL FINANCIAL REPORTING.—Each employment network shall meet financial reporting requirements as prescribed by the Commissioner.

“(4) PERIODIC OUTCOMES REPORTING.—Each employment network shall prepare periodic reports, on at least an annual basis, itemizing for the covered period specific outcomes achieved with respect to specific services provided by the employment network. Such reports shall conform to a national model prescribed under this section. Each employment network shall provide a copy of the latest report issued by the employment network pursuant to this paragraph to each beneficiary upon enrollment under the Program for services to be received through such employment network. Upon issuance of each report to each beneficiary, a copy of the report shall be maintained in the files of the employment network pertaining to the beneficiary. The program manager shall ensure that copies of all such reports issued under this paragraph are made available to the public under reasonable terms.

“(g) INDIVIDUAL WORK PLANS.—

“(1) IN GENERAL.—Each employment network shall—

“(A) take such measures as are necessary to ensure that employment services, vocational rehabilitation services, and other support services provided under the Program by, or under agreements entered into with, the employment network are provided under appropriate individual work plans as defined by the Commissioner, and

“(B) develop and implement each such individual work plan, in the case of each beneficiary receiving such services, in a manner that affords such beneficiary the opportunity to exercise informed choice in selecting an employment goal and specific services needed to achieve that employment goal.

A beneficiary’s individual work plan shall take effect upon approval by the beneficiary.

“(2) VOCATIONAL EVALUATION.—In devising the work plan, the employment network shall undertake a vocational evaluation with respect to the beneficiary. Each vocational evaluation shall set forth in writing such elements and shall be in such format as the Commissioner shall prescribe. The Commissioner may provide for waiver by the beneficiary of such a vocational evaluation, subject to regulations which shall be prescribed by the Commissioner providing for the permissible timing of, and the circumstances permitting, such a waiver.

“(h) EMPLOYMENT NETWORK PAYMENT SYSTEMS.—

“(1) ELECTION OF PAYMENT SYSTEM BY EMPLOYMENT NETWORKS.—

“(A) IN GENERAL.—The Program shall provide for payment authorized by the Commissioner to employment networks under either an outcome payment system or an outcome-milestone payment system. Each employment network shall elect which payment system will be utilized by the employment network, and, for such period of time as such election remains in effect, the payment system so elected shall be utilized exclusively in connection with such employment network (except as provided in subparagraph (B)).

“(B) METHOD OF PAYMENT TO EMPLOYMENT NETWORKS.—Any such election by an employment network taking effect during any period for which a disabled beneficiary is receiving services from such employment network shall not be effective with respect to such beneficiary to the extent that such election would result in any change in the method of payment to the employment network with respect to services provided to such beneficiary from the method of payment to the employment network with respect to services provided to such beneficiary as of immediately before such election.

“(2) OUTCOME PAYMENT SYSTEM.—

“(A) IN GENERAL.—The outcome payment system shall consist of a payment structure governing employment networks electing such system under paragraph (1)(A) which meets the requirements of this paragraph.

“(B) PAYMENTS MADE DURING OUTCOME PAYMENT PERIOD.—The outcome payment system shall provide for a schedule of payments to an employment network, in connection with each individual who is a beneficiary, for each month, during the individual’s outcome payment period, for which benefits (described in paragraphs (2) and (3) of subsection (k)) are not payable to such individual.

“(C) COMPUTATION OF PAYMENTS TO EMPLOYMENT NETWORK.—The payment schedule of the outcome payment system shall be designed so that—

“(i) the payment for each of the 60 months during the outcome payment period for which benefits (described in paragraphs (2) and (3) of subsection (k)) are not payable is equal to a fixed percentage of the payment calculation base for the calendar year in which such month occurs, and

“(ii) such fixed percentage is set at a percentage which does not exceed 40 percent.

“(3) OUTCOME-MILESTONE PAYMENT SYSTEM.—

“(A) IN GENERAL.—The outcome-milestone payment system shall consist of a payment structure governing employment networks electing such system under paragraph (1)(A) which meets the requirements of this paragraph.

“(B) EARLY PAYMENTS UPON ATTAINMENT OF MILESTONES IN ADVANCE OF OUTCOME PAYMENT PERIODS.—The outcome-milestone payment system shall provide for one or more milestones, with respect to beneficiaries receiving services from an employment network under the Program, which are directed toward the goal of permanent employment. Such milestones shall form a part of a payment structure which provides, in addition to payments made during outcome payment periods, payments made prior to outcome payment periods in amounts based on the attainment of such milestones.

“(C) LIMITATION ON TOTAL PAYMENTS TO EMPLOYMENT NETWORK.—The payment schedule of the outcome milestone payment system shall be designed so that the total of the payments to the employment network with respect to each beneficiary is less than, on a net present value basis (using

an interest rate determined by the Commissioner that appropriately reflects the cost of funds faced by providers), the total amount to which payments to the employment network with respect to the beneficiary would be limited if the employment network were paid under the outcome payment system.

“(4) DEFINITIONS.—For purposes of this subsection—

“(A) PAYMENT CALCULATION BASE.—The term ‘payment calculation base’ means, for any calendar year—

“(i) in connection with a title II disability beneficiary, the average disability insurance benefit payable under section 223 for all beneficiaries for months during the preceding calendar year, and

“(ii) in connection with a title XVI disability beneficiary (who is not concurrently a title II disability beneficiary), the average payment of supplemental security income benefits based on disability payable under title XVI (excluding State supplementation) for months during the preceding calendar year to all beneficiaries who have attained at least 18 years of age.

“(B) OUTCOME PAYMENT PERIOD.—The term ‘outcome payment period’ means, in connection with any individual who had assigned a ticket to work and self-sufficiency to an employment network under the Program, a period—

“(i) beginning with the first month, ending after the date on which such ticket was assigned to the employment network, for which benefits (described in paragraphs (2) and (3) of subsection (k)) are not payable to such individual by reason of engagement in work activity, and

“(ii) ending with the 60th month (consecutive or otherwise), ending after such date, for which such benefits are not payable to such individual by reason of engagement in work activity.

“(5) PERIODIC REVIEW AND ALTERATIONS OF PRESCRIBED SCHEDULES.—

“(A) PERCENTAGES AND PERIODS.—The Commissioner of Social Security shall periodically review the percentage specified in paragraph (2)(C), the total payments permissible under paragraph (3)(C), and the period of time specified in paragraph (4)(B) to determine whether such percentages, such permissible payments, and such period provide an adequate incentive for employment networks to assist beneficiaries to enter the workforce, while providing for appropriate economies. The Commissioner may alter such percentage, such total permissible payments, or such period of time to the extent that the Commissioner determines, on the basis of the Commissioner’s review under this paragraph, that such an alteration would better provide the incentive and economies described in the preceding sentence.

“(B) NUMBER AND AMOUNT OF MILESTONE PAYMENTS.—The Commissioner shall periodically review the number and amounts of milestone payments established by the Commissioner pursuant to this section to determine whether they provide an adequate incentive for employment networks to assist beneficiaries to enter the workforce, taking into account information provided to the Commissioner by program managers, the Ticket to Work and Self-Sufficiency Advisory Panel, and other reliable sources. The Commissioner may from time to time alter the number and amounts of milestone payments initially established by the Commissioner pursuant to this section to the extent that the Commissioner determines that such an alteration would allow an adequate incentive for employment networks to assist beneficiaries to enter the workforce. Such alteration shall be based on information provided to the Commissioner by program managers, the Ticket to Work and Self-Sufficiency Advisory Panel, or other reliable sources.

“(i) SUSPENSION OF DISABILITY REVIEWS.—During any period for which an individual is using a ticket to work and self-sufficiency issued under this section, the Commissioner (and any applicable State agency) may not initiate a continuing disability review or other review under section 221 of whether the individual is or is not under a disability or a review under title XVI similar to any such review under section 221.

“(j) AUTHORIZATIONS.—

“(1) TITLE II DISABILITY BENEFICIARIES.—There are authorized to be transferred from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund each fiscal year such sums as may be necessary to carry out the provisions of this section with respect to title II disability beneficiaries. Money paid from the Trust Funds under this section with respect to title II disability beneficiaries who are entitled to benefits under section 223 or who are entitled to benefits under section 202(d) on the basis of the wages and self-employment income of such beneficiaries, shall be charged to the

Federal Disability Insurance Trust Fund, and all other money paid from the Trust Funds under this section shall be charged to the Federal Old-Age and Survivors Insurance Trust Fund. The Commissioner of Social Security shall determine according to such methods and procedures as shall be prescribed under this section—

“(A) the total amount to be paid to program managers and employment networks under this section, and

“(B) subject to the provisions of the preceding sentence, the amount which should be charged to each of the Trust Funds.

“(2) TITLE XVI DISABILITY BENEFICIARIES.—Amounts authorized to be appropriated to the Social Security Administration under section 1601 (as in effect pursuant to the amendments made by section 301 of the Social Security Amendments of 1972) shall include amounts necessary to carry out the provisions of this section with respect to title XVI disability beneficiaries.

“(k) DEFINITIONS.—For purposes of this section—

“(1) DISABLED BENEFICIARY.—The term ‘disabled beneficiary’ means a title II disability beneficiary or a title XVI disability beneficiary.

“(2) TITLE II DISABILITY BENEFICIARY.—The term ‘title II disability beneficiary’ means an individual entitled to disability insurance benefits under section 223 or to monthly insurance benefits under section 202 based on such individual’s disability (as defined in section 223(d)). An individual is a title II disability beneficiary for each month for which such individual is entitled to such benefits.

“(3) TITLE XVI DISABILITY BENEFICIARY.—The term ‘title XVI disability beneficiary’ means an individual eligible for supplemental security income benefits under title XVI on the basis of blindness (within the meaning of section 1614(a)(2)) or disability (within the meaning of section 1614(a)(3)). An individual is a title XVI disability beneficiary for each month for which such individual is eligible for such benefits.

“(4) SUPPLEMENTAL SECURITY INCOME BENEFIT.—The term ‘supplemental security income benefit under title XVI’ means a cash benefit under section 1611 or 1619(a), and does not include a State supplementary payment, administered federally or otherwise.

“(l) REGULATIONS.—The Commissioner of Social Security shall prescribe such regulations as are necessary to carry out the provisions of this section.”.

(b) CONFORMING AMENDMENTS.—

(1) AMENDMENTS TO TITLE II.—

(A) Section 221(c) of such Act (42 U.S.C. 421(c)) is amended by adding at the end the following new paragraph:

“(4) For suspension of reviews under this subsection in the case of an individual using a ticket to work and self-sufficiency, see section 1147(i).”.

(B) Section 222(a) of such Act (42 U.S.C. 422(a)) is repealed.

(C) Section 222(b) of such Act (42 U.S.C. 422(b)) is repealed.

(D) Section 225(b)(1) of such Act (42 U.S.C. 425(b)(1)) is amended by striking “a program of vocational rehabilitation services” and inserting “a program consisting of the Ticket to Work and Self-Sufficiency Program under section 1147 or another program of vocational rehabilitation services, employment services, or other support services”.

(2) AMENDMENTS TO TITLE XVI.—

(A) Section 1615(a) of such Act (42 U.S.C. 1382d(a)) is amended to read as follows:

“SEC. 1615. (a) In the case of any blind or disabled individual who—

“(1) has not attained age 16, and

“(2) with respect to whom benefits are paid under this title,

the Commissioner of Social Security shall make provision for referral of such individual to the appropriate State agency administering the State program under title V.”.

(B) Section 1615(c) of such Act (42 U.S.C. 1382d(c)) is repealed.

(C) Section 1631(a)(6)(A) of such Act (42 U.S.C. 1383(a)(6)(A)) is amended by striking “a program of vocational rehabilitation services” and inserting “a program consisting of the Ticket to Work and Self-Sufficiency Program under section 1147 or another program of vocational rehabilitation services, employment services, or other support services”.

(D) Section 1633(c) of such Act (42 U.S.C. 1383b(c)) is amended—

(i) by inserting “(1)” after “(c)”; and

(ii) by adding at the end the following new paragraph:

“(2) For suspension of continuing disability reviews and other reviews under this title similar to reviews under section 221 in the case of an individual using a ticket to work and self-sufficiency, see section 1147(i).”.

(c) EFFECTIVE DATE.—Subject to subsection (d), the amendments made by subsections (a) and (b) shall take effect with the first month following one year after the date of the enactment of this Act.

(d) GRADUATED IMPLEMENTATION OF PROGRAM.—

(1) IN GENERAL.—Not later than one year after the date of the enactment of this Act, the Commissioner of Social Security shall commence implementation of the amendments made by this section (other than paragraphs (1)(C) and (2)(B) of subsection (b)) in graduated phases at phase-in sites selected by the Commissioner. Such phase-in sites shall be selected so as to ensure, prior to full implementation of the Ticket to Work and Self-Sufficiency Program, the development and refinement of referral processes, payment systems, computer linkages, management information systems, and administrative processes necessary to provide for full implementation of such amendments. Subsection (c) shall apply with respect to paragraphs (1)(C) and (2)(B) of subsection (b) without regard to this subsection.

(2) REQUIREMENTS.—Implementation of the Program at each phase-in site shall be carried out on a wide enough scale to permit a thorough evaluation of the alternative methods under consideration, so as to ensure that the most efficacious methods are determined and in place for full implementation of the Program on a timely basis.

(3) FULL IMPLEMENTATION.—The Commissioner shall ensure that the Program is fully implemented as soon as practicable on or after the effective date specified in subsection (c) but not later than six years after such date.

(4) ONGOING EVALUATION OF PROGRAM.—

(A) IN GENERAL.—The Commissioner shall design and conduct a series of evaluations to assess the cost-effectiveness of activities carried out under this section and the amendments made thereby, as well as the effects of this section and the amendments made thereby on work outcomes for beneficiaries receiving tickets to work and self-sufficiency under the Program.

(B) METHODOLOGY.—

(i) DESIGN AND IMPLEMENTATION.—The Commissioner shall design the series of evaluations after receiving relevant advice from experts in the fields of disability, vocational rehabilitation, and program evaluation and individuals using tickets to work and self-sufficiency under the Program. In designing and carrying out such evaluations, the Commissioner shall consult with the Comptroller General of the United States and other agencies of the Federal Government and with private organizations with appropriate expertise. Before provision of services begins under any phase of Program implementation, the Commissioner shall ensure that plans for such evaluations and data collection methods are in place and ready for implementation.

(ii) SPECIFIC MATTERS TO BE ADDRESSED.—Each such evaluation shall address (but is not limited to):

(I) the annual cost (including net cost) of the Program and the annual cost (including net cost) that would have been incurred in the absence of the Program;

(II) the determinants of return to work, including the characteristics of beneficiaries in receipt of tickets under the Program;

(III) the types of employment services, vocational rehabilitation services, and other support services furnished to beneficiaries in receipt of tickets under the Program who return to work and to those who do not return to work;

(IV) the duration of employment services, vocational rehabilitation services, and other support services furnished to beneficiaries in receipt of tickets under the Program who return to work and the duration of such services furnished to those who do not return to work and the cost to employment networks of furnishing such services;

(V) the employment outcomes, including wages, occupations, benefits, and hours worked, of beneficiaries who return to work after receiving tickets under the Program and those who return to work without receiving such tickets;

(VI) the characteristics of providers whose services are provided within an employment network under the Program;

(VII) the extent (if any) to which employment networks display a greater willingness to provide services to disabled beneficiaries;

(VIII) the characteristics (including employment outcomes) of those beneficiaries who receive services under the outcome pay-

ment system and of those beneficiaries who receive services under the outcome-milestone payment system;

(IX) measures of satisfaction among beneficiaries in receipt of tickets under the Program; and

(X) reasons for (including comments solicited from beneficiaries regarding) their choice not to use their tickets or their inability to return to work despite the use of their tickets.

(C) PERIODIC EVALUATION REPORTS.—Following the close of the third and fifth fiscal years ending after the effective date under subsection (c), and prior to the close of the seventh fiscal year ending after such date, the Commissioner shall transmit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a report containing the Commissioner's evaluation of the progress of activities conducted under the provisions of this section and the amendments made thereby. Each such report shall set forth the Commissioner's evaluation of the extent to which the Program has been successful and the Commissioner's conclusions on whether or how the Program should be modified. Each such report shall include such data, findings, materials, and recommendations as the Commissioner may consider appropriate.

(5) EXTENT OF STATE'S RIGHT OF FIRST REFUSAL IN ADVANCE OF FULL IMPLEMENTATION OF AMENDMENTS IN SUCH STATE.—

(A) IN GENERAL.—In the case of any State in which the amendments made by subsection (a) have not been fully implemented pursuant to this subsection, the Commissioner shall determine by regulation the extent to which—

(i) the requirement under section 222(a) of the Social Security Act for prompt referrals to a State agency, and

(ii) the authority of the Commissioner under section 222(d)(2) of such Act to provide vocational rehabilitation services in such State by agreement or contract with other public or private agencies, organizations, institutions, or individuals,

shall apply in such State.

(B) EXISTING AGREEMENTS.—Nothing in subparagraph (A) or the amendments made by subsection (a) shall be construed to limit, impede, or otherwise affect any agreement entered into pursuant to section 222(d)(2) of the Social Security Act before the date of the enactment of this Act with respect to services provided pursuant to such agreement to beneficiaries receiving services under such agreement as of such date, except with respect to services (if any) to be provided after six years after the effective date provided in subsection (c).

(e) THE TICKET TO WORK AND SELF-SUFFICIENCY ADVISORY PANEL.—

(1) ESTABLISHMENT.—There is established in the executive branch a panel to be known as the "Ticket to Work and Self-Sufficiency Advisory Panel" (in this subsection referred to as the "Panel").

(2) DUTIES OF PANEL.—It shall be the duty of the Panel to—

(A) advise the Commissioner of Social Security on establishing phase-in sites for the Ticket to Work and Self-Sufficiency Program and on fully implementing the Program thereafter,

(B) advise the Commissioner with respect to the refinement of access of disabled beneficiaries to employment networks, payment systems, and management information systems and advise the Commissioner whether such measures are being taken to the extent necessary to ensure the success of the Program,

(C) advise the Commissioner regarding the most effective designs for research and demonstration projects associated with the Program or conducted pursuant to subsection (h),

(D) advise the Commissioner on the development of performance measurements relating to quality assurance under section 1147(d)(6) of the Social Security Act, and

(E) furnish progress reports on the Program to the President and each House of the Congress.

(3) MEMBERSHIP.—

(A) NUMBER AND APPOINTMENT.—The Panel shall be composed of 6 members as follows:

(i) 1 member appointed by the Chairman of the Committee on Ways and Means of the House of Representatives;

(ii) 1 member appointed by the ranking minority member of the Committee on Ways and Means of the House of Representatives;

(iii) 1 member appointed by the Chairman of the Committee on Finance of the Senate;

(iv) 1 member appointed by the ranking minority member of the Committee on Finance of the Senate; and

(v) 2 members appointed by the President, who may not be of the same political party.

(B) REPRESENTATION.—Of the members appointed under subparagraph (A), at least 4 shall have experience or expert knowledge as a recipient, provider, employer, or employee in the fields of, or related to, employment services, vocational rehabilitation services, and other support services, of whom—

(i) at least one shall represent the interests of recipients of employment services, vocational rehabilitation services, and other support services,

(ii) at least one shall represent the interests of providers of employment services, vocational rehabilitation services, and other support services,

(iii) at least one shall represent the interests of private employers,

(iv) at least one shall represent the interests of employees, and

(v) at least one shall be an individual who is or has been a recipient of benefits under title II or title XVI based on disability.

(C) TERMS.—

(i) IN GENERAL.—Each member shall be appointed for a term of 4 years (or, if less, for the remaining life of the Panel), except as provided in clauses (ii) and (iii). The initial members shall be appointed not later than 90 days after the date of the enactment of this Act.

(ii) TERMS OF INITIAL APPOINTEES.—As designated by the President at the time of appointment, of the members first appointed—

(I) 3 of the members appointed under subparagraph (A) shall be appointed for a term of 2 years, and

(II) 3 of the members appointed under subparagraph (A) shall be appointed for a term of 4 years.

(iii) VACANCIES.—Any member appointed to fill a vacancy occurring before the expiration of the term for which the member's predecessor was appointed shall be appointed only for the remainder of that term. A member may serve after the expiration of that member's term until a successor has taken office. A vacancy in the Panel shall be filled in the manner in which the original appointment was made.

(D) BASIC PAY.—Members shall each be paid at a rate equal to the daily equivalent of the rate of basic pay for level 4 of the Senior Executive Service, as in effect from time to time under section 5382 of title 5, United States Code, for each day (including travel time) during which they are engaged in the actual performance of duties vested in the Panel.

(E) TRAVEL EXPENSES.—Each member shall receive travel expenses, including per diem in lieu of subsistence, in accordance with sections 5702 and 5703 of title 5, United States Code.

(F) QUORUM.—4 members of the Panel shall constitute a quorum but a lesser number may hold hearings.

(G) CHAIRPERSON.—The Chairperson of the Panel shall be designated by the President. The term of office of the Chairperson shall be 4 years.

(H) MEETINGS.—The Panel shall meet at least quarterly and at other times at the call of the Chairperson or a majority of its members.

(4) DIRECTOR AND STAFF OF PANEL; EXPERTS AND CONSULTANTS.—

(A) DIRECTOR.—The Panel shall have a Director who shall be appointed by the Panel. The Director shall be paid at a rate not to exceed the maximum rate of pay payable for GS-15 of the General Schedule.

(B) STAFF.—Subject to rules prescribed by the Panel, the Director may appoint and fix the pay of additional personnel as the Director considers appropriate.

(C) EXPERTS AND CONSULTANTS.—Subject to rules prescribed by the Panel, the Director may procure temporary and intermittent services under section 3109(b) of title 5, United States Code.

(D) STAFF OF FEDERAL AGENCIES.—Upon request of the Panel, the head of any Federal department or agency may detail, on a reimbursable basis, any of the personnel of that department or agency to the Panel to assist it in carrying out its duties under this Act.

(5) POWERS OF PANEL.—

(A) HEARINGS AND SESSIONS.—The Panel may, for the purpose of carrying out its duties under this subsection, hold such hearings, sit and act at such times and places, and take such testimony and evidence as the Panel considers appropriate.

(B) POWERS OF MEMBERS AND AGENTS.—Any member or agent of the Panel may, if authorized by the Panel, take any action which the Panel is authorized to take by this section.

(C) MAILS.—The Panel may use the United States mails in the same manner and under the same conditions as other departments and agencies of the United States.

(D) ADMINISTRATIVE SUPPORT SERVICES.—Upon the request of the Panel, the Administrator of General Services shall provide to the Panel, on a reimbursable basis, the administrative support services necessary for the Panel to carry out its duties under this subsection.

(6) REPORTS.—

(A) INTERIM REPORTS.—The Panel shall submit to the President and the Congress interim reports at least annually.

(B) FINAL REPORT.—The Panel shall transmit a final report to the President and the Congress not later than eight years after the date of the enactment of this Act. The final report shall contain a detailed statement of the findings and conclusions of the Panel, together with its recommendations for legislation and administrative actions which the Panel considers appropriate.

(7) TERMINATION.—The Panel shall terminate 30 days after the date of the submission of its final report under paragraph (6)(B).

(8) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated from the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, and the general fund of the Treasury, as appropriate, such sums as are necessary to carry out this subsection.

(f) SPECIFIC REGULATIONS REQUIRED.—

(1) IN GENERAL.—The Commissioner of Social Security shall prescribe such regulations as are necessary to implement the amendments made by this section.

(2) SPECIFIC MATTERS TO BE INCLUDED IN REGULATIONS.—The matters which shall be addressed in such regulations shall include (but are not limited to)—

(A) the form and manner in which tickets to work and self-sufficiency may be distributed to beneficiaries pursuant to section 1147(b)(1) of such Act;

(B) the format and wording of such tickets, which shall incorporate by reference any contractual terms governing service by employment networks under the Program;

(C) the form and manner in which State agencies may elect participation in the Ticket to Work and Self-Sufficiency Program (and revoke such an election) pursuant to section 1147(c)(1) of such Act and provision for periodic opportunities for exercising such elections (and revocations);

(D) the status of State agencies under section 1147(c)(2) at the time that State agencies exercise elections (and revocations) under such section 1147(c)(1);

(E) the terms of agreements to be entered into with program managers pursuant to section 1147(d) of such Act, including (but not limited to)—

(i) the terms by which program managers are precluded from direct participation in the delivery of services pursuant to section 1147(d)(3) of such Act,

(ii) standards which must be met by quality assurance measures referred to in paragraph (6) of section 1147(d) and methods of recruitment of employment networks utilized pursuant to paragraph (2) of section 1147(e), and

(iii) the format under which dispute resolution will operate under section 1147(d)(7).

(F) the terms of agreements to be entered into with employment networks pursuant to section 1147(d)(4) of such Act, including (but not limited to)—

(i) the manner in which service areas are specified pursuant to section 1147(f)(2)(A) of such Act,

(ii) the general selection criteria and the specific selection criteria which are applicable to employment networks under section 1147(f)(2)(B) of such Act in selecting service providers,

(iii) specific requirements relating to annual financial reporting by employment networks pursuant to section 1147(f)(3) of such Act, and

(iv) the national model to which periodic outcomes reporting by employment networks must conform under section 1147(f)(4) of such Act; (G) standards which must be met by individual work plans pursuant to section 1147(g) of such Act;

(H) standards which must be met by payment systems required under section 1147(h) of such Act, including (but not limited to)—

(i) the form and manner in which elections by employment networks of payment systems are to be exercised pursuant to section 1147(h)(1)(A),

(ii) the terms which must be met by an outcome payment system under section 1147(h)(2);

(iii) the terms which must be met by an outcome-milestone payment system under section 1147(h)(3);

(iv) any revision of the percentage specified in paragraph (2)(C) of section 1147(h) of such Act or the period of time specified in paragraph (4)(B) of such section 1147(h); and

(v) annual oversight procedures for such systems; and

(I) procedures for effective oversight of the Program by the Commissioner of Social Security, including periodic reviews and reporting requirements.

(g) **WORK INCENTIVE SPECIALISTS.**—The Commissioner shall establish a corps of trained, accessible, and responsive work incentive specialists to specialize in title II and title XVI disability work incentives for the purpose of disseminating accurate information to disabled beneficiaries (as defined in section 1147(k)(1) of the Social Security Act as amended by this Act) with respect to inquiries and issues relating to work incentives.

(h) **DEMONSTRATION PROJECTS PROVIDING FOR REDUCTIONS IN DISABILITY INSURANCE BENEFITS BASED ON EARNINGS.**—

(1) **AUTHORITY.**—The Commissioner shall conduct demonstration projects for the purpose of evaluating, through the collection of data, a program for title II disability beneficiaries (as defined in section 1147(k)(2) of the Social Security Act, as amended by this Act) under which each \$1 of benefits payable under section 223, or under section 202 based on the beneficiary's disability, is reduced for each \$2 of such beneficiary's earnings that is above a level to be determined by the Commissioner. Such projects shall be conducted at a number of localities which the Commissioner shall determine is sufficient to adequately evaluate the appropriateness of national implementation of such a program. Such projects shall identify reductions in Federal expenditures that may result from the permanent implementation of such a program.

(2) **SCOPE AND SCALE AND MATTERS TO BE DETERMINED.**—

(A) **IN GENERAL.**—The demonstration projects developed under paragraph (1) shall be of sufficient duration, shall be of sufficient scope, and shall be carried out on a wide enough scale to permit a thorough evaluation of the project to determine—

(i) the effects, if any, of induced entry and reduced exit,

(ii) the extent, if any, to which the project being tested is affected by whether it is in operation in a locality within an area under the administration of the Ticket to Work and Self-Sufficiency Program, and

(iii) the savings that accrue to the Trust Funds and other Federal programs under the project being tested.

The Commissioner shall take into account advice provided by the Ticket to Work and Self-Sufficiency Advisory Panel pursuant to subsection (e)(2)(C).

(B) **ADDITIONAL MATTERS.**—The Commissioner shall also determine with respect to each project—

(i) the annual cost (including net cost) of the project and the annual cost (including net cost) that would have been incurred in the absence of the project,

(ii) the determinants of return to work, including the characteristics of the beneficiaries who participate in the project, and

(iii) the employment outcomes, including wages, occupations, benefits, and hours worked, of beneficiaries who return to work as a result of participation in the project.

The Commissioner may include within the matters evaluated under the project the merits of trial work periods and periods of extended eligibility.

(3) **WAIVERS.**—The Commissioner may waive compliance with the benefit provisions of title II of the Social Security Act, and the Secretary of Health and Human Services may waive compliance with the benefit requirements of title XVIII of such Act, insofar as is necessary for a thorough evaluation of the alternative methods under consideration. No such project shall be actually placed in

operation unless at least 90 days prior thereto a written report, prepared for purposes of notification and information only and containing a full and complete description thereof, has been transmitted by the Commissioner to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate. Periodic reports on the progress of such projects shall be submitted by the Commissioner to such committees. When appropriate, such reports shall include detailed recommendations for changes in administration or law, or both, to carry out the objectives stated in paragraph (1).

(4) INTERIM REPORTS.—On or before June 9 in 2000 and each of the succeeding years thereafter, the Commissioner shall submit to the Congress an interim report on the progress of the demonstration projects carried out under this subsection together with any related data and materials which the Commissioner may consider appropriate.

(5) FINAL REPORT.—The Commissioner shall submit to the Congress a final report with respect to all demonstration projects carried out under this section no later than one year after their completion.

(6) EXPENDITURES.—Expenditures made for demonstration projects under this subsection shall be made from the Federal Disability Insurance Trust Fund and the Federal Old-Age and Survivors Insurance Trust Fund, as determined appropriate by the Commissioner, and from the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund, as determined appropriate by the Secretary of Health and Human Services, to the extent provided in advance in appropriation Acts.

(i) STUDY BY GENERAL ACCOUNTING OFFICE OF EXISTING DISABILITY-RELATED EMPLOYMENT INCENTIVES.—

(1) STUDY.—As soon as practicable after the date of the enactment of this Act, the Comptroller General of the United States shall undertake a study to assess existing tax credits and other disability-related employment incentives under the Americans with Disabilities Act of 1990 and other Federal laws. In such study, the Comptroller General shall specifically address the extent to which such credits and other incentives would encourage employers to hire and retain individuals with disabilities under the Ticket to Work and Self-Sufficiency Program.

(2) REPORT.—Not later than 3 years after the date of the enactment of this Act, the Comptroller General shall transmit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a written report presenting the results of the Comptroller General's study conducted pursuant to this subsection, together with such recommendations for legislative or administrative changes as the Comptroller General may determine to be appropriate.

(j) STUDY BY GENERAL ACCOUNTING OFFICE OF EXISTING COORDINATION OF THE DI AND SSI PROGRAMS AS THEY RELATE TO INDIVIDUALS ENTERING OR LEAVING CONCURRENT ENTITLEMENT.—

(1) STUDY.—As soon as practicable after the date of the enactment of this Act, the Comptroller General of the United States shall undertake a study to evaluate the coordination under current law of the disability insurance program under title II of the Social Security Act and the supplemental security income program under title XVI of such Act, as such programs relate to individuals entering or leaving concurrent entitlement under such programs. In such study, the Comptroller General shall specifically address the effectiveness of work incentives under such programs with respect to such individuals and the effectiveness of coverage of such individuals under titles XVIII and XIX of such Act.

(2) REPORT.—Not later than 18 months after the date of the enactment of this Act, the Comptroller General shall transmit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate a written report presenting the results of the Comptroller General's study conducted pursuant to this subsection, together with such recommendations for legislative or administrative changes as the Comptroller General may determine to be appropriate.

**SEC. 3. EXTENDING MEDICARE COVERAGE FOR OASDI DISABILITY BENEFIT RECIPIENTS WHO ARE USING TICKETS TO WORK AND SELF-SUFFICIENCY.**

(a) IN GENERAL.—The next to last sentence of section 226(b) of the Social Security Act (42 U.S.C. 426) is amended—

(1) by striking “throughout all of which” and inserting “throughout the first 24 months of which”, and

(2) by inserting after “but not in excess of 24 such months” the following: “(plus 24 additional such months in the case of an individual who the Commis-

sioner determines is using a ticket to work and self-sufficiency issued under section 1147, but only for additional months that occur in the 7-year period beginning on the date of the enactment of the Ticket to Work and Self-Sufficiency Act of 1998”.

(b) REPORT.—Not later than 6 months prior to the end of the 7-year period beginning on the date of the enactment of this Act, the Secretary of Health and Human Services and the Commissioner of Social Security shall submit in writing to each House of the Congress their recommendations for further legislative action with respect to the amendments made by subsection (a), taking into account experience derived from efforts to achieve full implementation of the Ticket to Work and Self-Sufficiency Program under section 1147 of the Social Security Act.

**SEC. 4. TECHNICAL AMENDMENTS RELATING TO DRUG ADDICTS AND ALCOHOLICS.**

(a) CLARIFICATION RELATING TO THE EFFECTIVE DATE OF THE DENIAL OF SOCIAL SECURITY DISABILITY BENEFITS TO DRUG ADDICTS AND ALCOHOLICS.—Section 105(a)(5) of the Contract with America Advancement Act of 1996 (Public Law 104–121; 110 Stat. 853) is amended—

(1) in subparagraph (A), by striking “by the Commissioner of Social Security” and “by the Commissioner”; and

(2) by adding at the end the following new subparagraphs:

“(D) For purposes of this paragraph, an individual’s claim, with respect to benefits under title II of the Social Security Act based on disability, which has been denied in whole before the date of the enactment of this Act, may not be considered to be finally adjudicated before such date if, on or after such date—

“(i) there is pending a request for either administrative or judicial review with respect to such claim, or

“(ii) there is pending, with respect to such claim, a readjudication by the Commissioner of Social Security pursuant to relief in a class action or implementation by the Commissioner of a court remand order.

“(E) Notwithstanding the provisions of this paragraph, with respect to any individual for whom the Commissioner of Social Security does not perform the entitlement redetermination before the date prescribed in subparagraph (C), the Commissioner shall perform such entitlement redetermination in lieu of a continuing disability review whenever the Commissioner determines that the individual’s entitlement is subject to redetermination based on the preceding provisions of this paragraph, and the provisions of section 223(f) of the Social Security Act shall not apply to such redetermination.”.

(b) CORRECTION TO EFFECTIVE DATE OF PROVISIONS CONCERNING REPRESENTATIVE PAYEES AND TREATMENT REFERRALS OF SOCIAL SECURITY BENEFICIARIES WHO ARE DRUG ADDICTS AND ALCOHOLICS.—Section 105(a)(5)(B) of such Act (Public Law 104–121; 110 Stat. 853) is amended to read as follows:

“(B) The amendments made by paragraphs (2) and (3) shall take effect on July 1, 1996, with respect to any individual—

“(i) whose claim for benefits is finally adjudicated on or after the date of the enactment of this Act, or

“(ii) whose entitlement to benefits is based upon an entitlement redetermination made pursuant to subparagraph (C).”.

(c) EFFECTIVE DATES.—The amendments made by this section shall take effect as if included in the enactment of section 105 of the Contract with America Advancement Act of 1996 (Public Law 104–121; 110 Stat. 852 et seq.).

**SEC. 5. EXTENSION OF DISABILITY INSURANCE PROGRAM DEMONSTRATION PROJECT AUTHORITY.**

(a) IN GENERAL.—Section 505 of the Social Security Disability Amendments of 1980 (Public Law 96–265; 94 Stat. 473), as amended by section 12101 of the Consolidated Omnibus Budget Reconciliation Act of 1985 (Public Law 99–272; 100 Stat. 282), section 10103 of the Omnibus Budget Reconciliation Act of 1989 (Public Law 101–239; 103 Stat. 2472), section 5120(f) of the Omnibus Budget Reconciliation Act of 1990 (Public Law 101–508; 104 Stat. 1388–282), and section 315 of the Social Security Independence and Program Improvements Act of 1994 (Public Law 103–296; 108 Stat. 1531), is further amended—

(1) in paragraph (1) of subsection (a), by adding at the end the following new sentence: “The Commissioner may expand the scope of any such demonstration project to include any group of applicants for benefits under such program with impairments which may reasonably be presumed to be disabling for purposes of such demonstration project, and may limit any such demonstration project to

any such group of applicants, subject to the terms of such demonstration project which shall define the extent of any such presumption.”;

(2) in paragraph (3) of subsection (a), by striking “June 10, 1996” and inserting “June 10, 2001”;

(3) in paragraph (4) of subsection (a), by inserting “and on or before October 1, 2000,” after “1995.”; and

(4) in subsection (c), by striking “October 1, 1996” and inserting “October 1, 2001”.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall take effect on the date of the enactment of this Act.

**SEC. 6. PERFECTING AMENDMENTS RELATED TO WITHHOLDING FROM SOCIAL SECURITY BENEFITS.**

(a) INAPPLICABILITY OF ASSIGNMENT PROHIBITION.—Section 207 of the Social Security Act (42 U.S.C. 407) is amended by adding at the end the following new subsection:

“(c) Nothing in this section shall be construed to prohibit withholding taxes from any benefit under this title, if such withholding is done pursuant to a request made in accordance with section 3402(p)(1) of the Internal Revenue Code of 1986 by the person entitled to such benefit or such person’s representative payee.”.

(b) PROPER ALLOCATION OF COSTS OF WITHHOLDING BETWEEN THE TRUST FUNDS AND THE GENERAL FUND.—Section 201(g) of such Act (42 U.S.C. 401(g)) is amended—

(1) by inserting before the period in paragraph (1)(A)(ii) the following: “and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons’ representative payee”;

(2) by inserting before the period at the end of paragraph (1)(A) the following: “and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons’ representative payee”;

(3) in paragraph (1)(B)(i)(I), by striking “subparagraph (A),” and inserting “subparagraph (A) and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons’ representative payee.”;

(4) in paragraph (1)(C)(iii), by inserting before the period the following: “and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons’ representative payee”;

(5) in paragraph (1)(D), by inserting after “section 232” the following: “and the functions of the Social Security Administration in connection with the withholding of taxes from benefits as described in section 207(c)”;

(6) in paragraph (4), by inserting after the first sentence the following: “The Board of Trustees of such Trust Funds shall prescribe the method of determining the costs which should be borne by the general fund in the Treasury of carrying out the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons’ representative payee.”.

(c) EFFECTIVE DATE.—The amendments made by subsection (b) shall apply to benefits paid on or after the first day of the second month beginning after the month in which this Act is enacted.

**SEC. 7. TREATMENT OF PRISONERS.**

(a) IMPLEMENTATION OF PROHIBITION AGAINST PAYMENT OF TITLE II BENEFITS TO PRISONERS.—

(1) IN GENERAL.—Section 202(x)(3) of the Social Security Act (42 U.S.C. 402(x)(3)) is amended—

(A) by inserting “(A)” after “(3)”;

(B) by adding at the end the following new subparagraph:

“(B)(i) The Commissioner shall enter into an agreement under this subparagraph with any interested State or local institution comprising a jail, prison, penal institution, or correctional facility, or comprising any other institution a purpose of which is to confine individuals as described in paragraph (1)(A)(ii). Under such agreement—

“(I) the institution shall provide to the Commissioner, on a monthly basis and in a manner specified by the Commissioner, the names, social security account numbers, dates of birth, confinement commencement dates, and, to the extent available to the institution, such other identifying information concerning the individuals confined in the institution as the Commissioner may require for the purpose of carrying out paragraph (1); and

“(II) the Commissioner shall pay to the institution, with respect to information described in subclause (I) concerning each individual who is confined therein as described in paragraph (1)(A), who receives a benefit under this title for the month preceding the first month of such confinement, and whose benefit under this title is determined by the Commissioner to be not payable by reason of confinement based on the information provided by the institution, \$400 (subject to reduction under clause (ii)) if the institution furnishes the information to the Commissioner within 30 days after the date such individual’s confinement in such institution begins, or \$200 (subject to reduction under clause (ii)) if the institution furnishes the information after 30 days after such date but within 90 days after such date.

“(ii) The dollar amounts specified in clause (i)(II) shall be reduced by 50 percent if the Commissioner is also required to make a payment to the institution with respect to the same individual under an agreement entered into under section 1611(e)(1)(I).

“(iii) The provisions of section 552a of title 5, United States Code, shall not apply to any agreement entered into under clause (i) or to information exchanged pursuant to such agreement.

“(iv) There is authorized to be transferred from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, as appropriate, such sums as may be necessary to enable the Commissioner to make payments to institutions required by clause (i)(II). Sums so transferred shall be treated as direct spending for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985 and excluded from budget totals in accordance with section 13301 of the Budget Enforcement Act of 1990.

“(v) The Commissioner is authorized to provide, on a reimbursable basis, information obtained pursuant to agreements entered into under clause (i) to any agency administering a Federal or federally-assisted cash, food, or medical assistance program for eligibility purposes.”

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals whose period of confinement in an institution commences on or after the first day of the fourth month beginning after the month in which this Act is enacted.

(b) ELIMINATION OF TITLE II REQUIREMENT THAT CONFINEMENT STEM FROM CRIME PUNISHABLE BY IMPRISONMENT FOR MORE THAN 1 YEAR.—

(1) IN GENERAL.—Section 202(x)(1)(A) of such Act (42 U.S.C. 402(x)(1)(A)) is amended—

(A) in the matter preceding clause (i), by striking “during” and inserting “throughout”;

(B) in clause (i), by striking “an offense punishable by imprisonment for more than 1 year (regardless of the actual sentence imposed)” and inserting “a criminal offense”; and

(C) in clause (ii)(I), by striking “an offense punishable by imprisonment for more than 1 year” and inserting “a criminal offense”.

(2) EFFECTIVE DATE.—The amendments made by this subsection shall apply to individuals whose period of confinement in an institution commences on or after the first day of the fourth month beginning after the month in which this Act is enacted.

(c) CONFORMING TITLE XVI AMENDMENTS.—

(1) FIFTY PERCENT REDUCTION IN TITLE XVI PAYMENT IN CASE INVOLVING COMPARABLE TITLE II PAYMENT.—Section 1611(e)(1)(I) of the Social Security Act (42 U.S.C. 1382(e)(1)(I)) is amended—

(A) in clause (i)(II), by inserting “(subject to reduction under clause (ii))” after “\$400” and after “\$200”;

(B) by redesignating clauses (ii) and (iii) as clauses (iii) and (iv) respectively; and

(C) by inserting after clause (i) the following new clause:

“(ii) The dollar amounts specified in clause (i)(II) shall be reduced by 50 percent if the Commissioner is also required to make a payment to the institution with respect to the same individual under an agreement entered into under section 202(x)(3)(B).”

(2) **EXPANSION OF CATEGORIES OF INSTITUTIONS ELIGIBLE TO ENTER INTO AGREEMENTS WITH THE COMMISSIONER.**—Section 1611(e)(1)(I)(i) of such Act (42 U.S.C. 1382(e)(1)(I)(i)) is amended in the matter preceding subclause (I) by striking “institution” and all that follows through “section 202(x)(1)(A),” and inserting “institution comprising a jail, prison, penal institution, or correctional facility, or with any other interested State or local institution a purpose of which is to confine individuals as described in section 202(x)(1)(A)(ii),”.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall take effect as if included in the enactment of section 203(a) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (Public Law 104–193; 110 Stat. 2186). The reference to section 202(x)(1)(A)(ii) of the Social Security Act in section 1611(e)(1)(I)(i) of such Act as amended by paragraph (2) shall be deemed a reference to such section 202(x)(1)(A)(ii) as amended by subsection (b)(1)(C).

(d) **CONTINUED DENIAL OF BENEFITS TO SEX OFFENDERS REMAINING CONFINED TO PUBLIC INSTITUTIONS UPON COMPLETION OF PRISON TERM.**—

(1) **IN GENERAL.**—Section 202(x)(1)(A) of the Social Security Act (42 U.S.C. 402(x)(1)(A)) is amended—

(A) in clause (i), by striking “or” at the end;

(B) in clause (ii)(IV), by striking the period and inserting “, or”; and

(C) by adding at the end the following new clause:

“(iii) immediately upon completion of confinement as described in clause (i) pursuant to conviction of a criminal offense an element of which is sexual activity, is confined by court order in an institution at public expense pursuant to a finding that the individual is a sexually dangerous person or a sexual predator or a similar finding.”

(2) **CONFORMING AMENDMENT.**—Section 202(x)(1)(B)(ii) of such Act (42 U.S.C. 402(x)(1)(B)(ii)) is amended by striking “clause (ii)” and inserting “clauses (ii) and (iii)”.

(3) **EFFECTIVE DATE.**—The amendments made by this subsection shall apply with respect to benefits for months ending after the date of the enactment of this Act.

**SEC 8. REVOCATION BY MEMBERS OF THE CLERGY OF EXEMPTION FROM SOCIAL SECURITY COVERAGE.**

(a) **IN GENERAL.**—Notwithstanding section 1402(e)(4) of the Internal Revenue Code of 1986, any exemption which has been received under section 1402(e)(1) of such Code by a duly ordained, commissioned, or licensed minister of a church, a member of a religious order, or a Christian Science practitioner, and which is effective for the taxable year in which this Act is enacted, may be revoked by filing an application therefor (in such form and manner, and with such official, as may be prescribed in regulations made under chapter 2 of such Code), if such application is filed no later than the due date of the Federal income tax return (including any extension thereof) for the applicant’s second taxable year beginning after December 31, 1998. Any such revocation shall be effective (for purposes of chapter 2 of the Internal Revenue Code of 1986 and title II of the Social Security Act), as specified in the application, either with respect to the applicant’s first taxable year beginning after December 31, 1998, or with respect to the applicant’s second taxable year beginning after such date, and for all succeeding taxable years; and the applicant for any such revocation may not thereafter again file application for an exemption under such section 1402(e)(1). If the application is filed after the due date of the applicant’s Federal income tax return for a taxable year and is effective with respect to that taxable year, it shall include or be accompanied by payment in full of an amount equal to the total of the taxes that would have been imposed by section 1401 of the Internal Revenue Code of 1986 with respect to all of the applicant’s income derived in that taxable year which would have constituted net earnings from self-employment for purposes of chapter 2 of such Code (notwithstanding section 1402 (c)(4) or (c)(5) of such Code) except for the exemption under section 1402(e)(1) of such Code.

(b) **EFFECTIVE DATE.**—Subsection (a) shall apply with respect to service performed (to the extent specified in such subsection) in taxable years beginning after December 31, 1998, and with respect to monthly insurance benefits payable under title II of the Social Security Act on the basis of the wages and self-employment income of any individual for months in or after the calendar year in which such individual’s application for revocation (as described in such subsection) is effective (and lump-sum death payments payable under such title on the basis of such wages and self-employment income in the case of deaths occurring in or after such calendar year).

**SEC. 9. ADDITIONAL TECHNICAL AMENDMENT RELATING TO COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS UNDER TITLES II AND XVI.**

(a) **IN GENERAL.**—Section 1110(a)(3) of the Social Security Act (42 U.S.C. 1310(a)(3)) is amended by striking “title XVI” and inserting “title II or XVI”.

(b) **EFFECTIVE DATE.**—The amendment made by subsection (a) shall take effect as if included in the enactment of the Social Security Independence and Program Improvements Act of 1994 (Public Law 103–296; 108 Stat. 1464).

Amend the title so as to read:

A bill to amend the Social Security Act to establish a Ticket to Work and Self-Sufficiency Program in the Social Security Administration to provide beneficiaries with disabilities meaningful opportunities to work, to extend Medicare coverage for such beneficiaries, and to make additional miscellaneous amendments relating to social security.

## **I. INTRODUCTION**

### **A. PURPOSE AND SUMMARY**

The Ticket to Work and Self-Sufficiency Act of 1998 would provide real opportunities for those Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) disabled beneficiaries who want to work.

### **B. BACKGROUND AND NEED FOR LEGISLATION**

Historically, less than 1 percent of disabled beneficiaries leave the rolls because of successful rehabilitation. State Vocational Rehabilitation (VR) agencies have a limited capacity to serve all those who need services and therefore have had a negligible impact on the number of disabled beneficiaries who enter the workforce. According to the General Accounting Office, on average, State Disability Determination Services (DDSs) refer for VR services only about 8 percent of SSDI and SSI applicants awarded benefits and less than 10 percent of beneficiaries referred by DDSs are accepted as clients.

In hearings held by the Subcommittee on Social Security over the past 3 years, witnesses, including individuals with disabilities, their advocates, rehabilitation experts, and various providers of services, have repeatedly noted that, due to advances in medicine, technology, and the field of rehabilitation, many individuals with severe disabilities could work and want to work. Witnesses indicated that providing beneficiary choice in needed rehabilitation and support services and removing Social Security program barriers would facilitate beneficiaries’ self-sufficiency through employment.

In addition, beneficiaries with disabilities are staying on the rolls longer than in the past because of: (1) increased life expectancy; (2) a lower average age of disability beneficiaries due to the baby boom cohort; and (3) an increase in the number of awardees with disabling mental impairments who tend to be younger and physically healthier. SSA’s disability programs have experienced tremendous growth in recent years. Between 1986 and 1996, the number of working-age beneficiaries on the SSDI and SSI disability rolls increased 64 percent. During this period, cash benefits to adults and children with disabilities increased from about \$25 billion to \$61 billion annually. These facts underscore the need for initiatives designed to encourage disabled beneficiaries to obtain employment and rehabilitation services and to enter the workforce.

The Social Security disability insurance program insures workers and their families against the loss of income due to disability. Nearly 4.5 million people with disabilities who have paid into the Social Security system receive Social Security disability benefits. Another 4 million adults with disabilities receive Supplemental Security Income (SSI) payments. Americans rely on the safety net these programs provide in the event of severe illness or injury.

Given the choice, however, many disability beneficiaries would rather be working. In hearings and through personal contacts, Members of the Subcommittee on Social Security have learned about the obstacles Social Security disability beneficiaries face in attempting to work including: fear of losing health and cash benefits, little known and complex work incentives, and the “all or nothing” nature of SSDI cash benefits that can make work at low wages financially unattractive. Thus, after consultation with individuals with disabilities, advocates, rehabilitation experts, providers of services, and the Administration, the Committee has developed a proposal that is supported on a widespread bipartisan basis.

The Ticket to Work and Self-Sufficiency Act of 1998 would create a program to ease the transition of Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) disabled beneficiaries into the workforce. In addition, the Subcommittee proposal contains several technical amendments to title II of the Social Security Act that have previously passed in the House and for which similar title XVI provisions were passed in last year’s Balanced Budget Act. The proposal also provides a two-year period allowing members of the clergy to revoke their exemption from Social Security coverage.

### C. LEGISLATIVE HISTORY

Since 1995, the Subcommittee on Social Security has held 5 hearings, including testimony from 28 witnesses, addressing needed Social Security program changes to encourage individuals with disabilities to work. The Subcommittee held a two-part hearing on July 23 and July 24, 1997, to specifically address barriers preventing Social Security disability recipients from returning to work. The hearing included testimony from the Administration, the U.S. General Accounting Office, beneficiaries, rehabilitation experts, and providers of services.

On March 11, 1998, Mr. Bunning, on behalf of himself and Mrs. Kennelly, introduced H.R. 3433, the Ticket to Work and Self-Sufficiency Act of 1998. The Subcommittee held a hearing on March 17, 1998, and received testimony in support of H.R. 3433 from individuals with disabilities, advocates for the disabled, and providers of services. The Subcommittee on Social Security ordered favorably reported to the Full Committee H.R. 3433, as amended, by a voice vote, with a quorum present on March 25, 1998.

On May 6, 1998, the Full Committee ordered favorably reported, H.R. 3433, the “Ticket to Work and Self-Sufficiency Act of 1998,” as amended, by a voice vote, with a quorum present.

## II. EXPLANATION OF PROVISIONS

### A. SECTION 1. SHORT TITLE

The short title of the bill is the Ticket to Work and Self-Sufficiency Act of 1998.

### B. SECTION 2. THE TICKET TO WORK AND SELF-SUFFICIENCY PROGRAM

#### *Present law*

Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) disabled individuals applying for or awarded benefits shall be promptly referred to the State vocational rehabilitation (VR) agency for necessary VR services. The Commissioner of Social Security is authorized to use trust fund and general revenue monies to reimburse State VR agencies for reasonable and necessary costs of VR services when such services result in an individual performing work at the substantial gainful level (\$500 a month) for 9 months.

#### *Explanation of provision*

The proposal would create a Ticket to Work and Self-Sufficiency Program. The proposal would authorize the Commissioner of Social Security to provide SSDI and SSI disabled beneficiaries with a ticket which they may use to obtain services of their choice from an employment network (provider of services) of their choice to enable them to enter the workforce.

The bill would provide State VR agencies with the option of participating in the Program as an employment network or remaining in the current law reimbursement system. State VR agencies which elect to participate in the Program would be reimbursed under current law provisions for those beneficiaries who began receiving services prior to Program election. Services provided by State VR agencies participating in the Program would be governed by plans for VR services approved under title I of the Rehabilitation Act. State VR agencies would not be required to accept referrals from employment networks unless the agency has entered into an agreement with the employment network.

The Commissioner would contract with program managers—one or more organizations in the private or public sector with expertise and experience in the field of vocational rehabilitation or employment services—through a competitive bidding process, to help the Social Security Administration (SSA) administer the Program. Agreements with program managers would include performance standards (including measures for ease of access and measures of success). Program managers would be precluded from delivering services in their own service area. The Commissioner would select and enter into agreements with employment networks, provide periodic quality assurance reviews of employment networks, and establish a method for resolving disputes between beneficiaries and employment networks.

Program managers would recruit and recommend employment networks to the Commissioner, ensure adequate choices of services are available to beneficiaries, ensure beneficiary access to services,

and provide assurances to SSA that employment networks are complying with agreement terms. In addition, program managers will make certain that beneficiaries are allowed changes in employment networks for good cause.

Employment networks would consist of a single provider (public or private) or an association of providers combined into a single entity which assumes responsibility for the coordination and delivery of services. The employment networks would be required to demonstrate substantial expertise and experience in the field of employment services, vocational rehabilitation services, or other support services for individuals with disabilities and would provide an array of such services under the Program. Employment networks would meet financial reporting requirements as prescribed by the Commissioner and would prepare periodic performance reports which would be provided to beneficiaries holding a ticket and would be made available to the public.

Employment networks and beneficiaries would together develop an individual work plan in such a way that the beneficiary could exercise informed choice in selecting an employment goal and specific services needed to achieve that goal. Employment networks would undertake a vocational evaluation (as determined by the Commissioner) in order to devise the work plan, however, the Commissioner could provide for beneficiary waiver of the vocational evaluation. The bill would authorize payment to employment networks for outcomes and long-term results by providing one of two payment systems, both of which are designed to ensure that as many providers as possible would be available to serve beneficiaries with disabilities.

The outcome payment system would provide payment to employment networks up to 40 percent of the average monthly benefit for all disabled beneficiaries in the preceding year, for each month benefits were not payable to the beneficiary due to work, but not for more than 60 months.

The outcome-milestone payment system is similar to the outcome payment system, except it would provide for early payment(s) based on the achievement of one or more milestones directed towards the goal of permanent employment. To ensure cost-effectiveness of the Program, the total amount payable under the outcome-milestone payment system would be required to be less than the total amount payable to a provider than would have been payable for an individual under the outcome payment system.

The Commissioner would periodically review both payment systems, and if necessary, alter the percentages, milestones, or payment periods to ensure that employment networks have adequate incentives to assist beneficiaries into the workforce.

The Commissioner would not initiate a continuing disability review for beneficiaries who are using a ticket under the Program.

The bill would authorize transfers from the Social Security Trust Funds to carry out these provisions for Social Security beneficiaries, and authorize amounts to be appropriated to the Social Security Administration to carry out these provisions for SSI recipients.

For purposes of Program participation, the bill would define disabled beneficiary to include SSI disabled recipients and Social Se-

curity beneficiaries receiving disability insurance, disabled widow's, and childhood disability benefits.

The Commissioner would prescribe regulations necessary to carry out the Program. The Program would be implemented on a graduated basis at phase-in sites selected by the Commissioner beginning no later than 1 year after enactment. The Commissioner would design and conduct a series of evaluations to assess the cost-effectiveness and effects of the Program. The Commissioner would periodically provide to the Congress a detailed evaluation of the Program's progress, success, and any modifications needed.

An Advisory Panel would be created consisting of experts representing consumers, providers of services, employers, and employees. The Panel would advise the Commissioner and report to the Congress on Program implementation including such issues as establishing pilot sites, refining the Program, and designing Program evaluations. The Advisory Panel would be appointed within 90 days of enactment. The Advisory Panel would be composed of six members appointed as follows:

One member would be appointed by the Chairman of the Committee on Ways and Means of the House of Representatives;

One member would be appointed by the ranking minority member of the Committee on Ways and Means of the House of Representatives;

One member would be appointed by the Chairman on Finance of the Senate;

One member would be appointed by the ranking minority member of the Committee on Finance of the Senate; and

Two members would be appointed by the President, who may not be of the same political party.

The Commissioner would prescribe regulations to address implementation issues such as the way in which tickets would be distributed to beneficiaries, the way in which State agencies would elect participation in the Program, the terms of agreements to be entered into with program managers and with employment networks, and procedures for effective oversight of the Program by the Commissioner.

The Commissioner would establish a corps of trained, accessible, and responsive work incentive specialists to specialize in disseminating accurate information to beneficiaries with disabilities.

SSA would be required to conduct a demonstration project on the effects of gradually reducing SSDI benefits \$1 for every \$2 in earnings over a level determined by the Commissioner.

GAO would conduct two studies to: (1) assess existing tax credits and other disability-related employment incentives under the Americans with Disabilities Act and other Federal laws and to address the extent to which these credits and incentives encourage employers to hire individuals with disabilities under the Program; and (2) evaluate the coordination of OASDI and SSI programs as they relate to individuals who become or who no longer are concurrently entitled to both programs, and the effectiveness of work incentives and medical coverage for these individuals.

*Reason for change*

The proposal builds on the principles of consumer choice and empowerment, encouraging competition among providers of services, rewarding providers for results, and encouraging providers to have a continuing interest in beneficiaries' long-term success in maintaining employment. The proposal is designed to increase choices available to beneficiaries and increase the supply of providers that would be available to help beneficiaries into the workforce.

Recognizing that State VR agencies are able to provide consumers with a wide range of specialized services, the proposal would provide the State VR agencies the option of electing to participate in the Program or remaining under the current law reimbursement system.

Given SSA's limited resources and experience in administering employment and vocational rehabilitation services, the bill establishes program managers to help SSA administer the Program on a national basis. The Committee intends that program managers attempt to maximize beneficiary access to needed services by recommending an adequate number of providers to the Commissioner for selection.

The Commissioner of Social Security is the authorizing agent in certifying payments from the Trust Funds and the general fund of the Treasury and is, therefore, responsible for overall administration of the Program.

With respect to the issuance of tickets, the Committee intends that the Commissioner would determine the method by which SSA would notify beneficiaries of the availability of tickets, the duration for which the tickets may be assigned to an employment network, as well as the allowable renewal periods, if any, of the ticket.

The Committee also intends that the Commissioner would prescribe the times at which payments would be made to employment networks. In addition, the Commissioner would determine the phase-in schedule for State participation in the Program.

The Committee recognizes that individuals with disabilities can benefit from early assistance from groups providing dispute resolution services and believes that the Commissioner should take this into account when establishing a mechanism to resolve disputes between beneficiaries and providers.

Because State VR agencies have a limited ability to accommodate a significant number of beneficiaries with disabilities, the proposal creates a level playing field which allows private and public entities to provide services along with the State VR agencies. Expanding the pool of providers from which a beneficiary may obtain employment and rehabilitation services will increase the number of beneficiaries who receive timely, high quality employment, rehabilitation, and other support services from providers. The proposal creates employment networks to provide services to disabled beneficiaries. The Committee intends that services provided would enhance beneficiaries' employment skills by making them more marketable in the workforce and ultimately help them secure long-term employment. Employment networks would be established so that providers could pool their resources together giving beneficiaries access to a wide array of services to meet their individualized needs.

The Committee encourages the Commissioner to ensure that services are available within a geographic location so that individuals would not be unduly restricted by State borders.

The Committee intends that the "other support services" which are offered by providers may include, but are not limited to, assistive technology services and devices, supported employment services, personal assistance services, and auxiliary aids and services.

The proposal requires that employment networks ensure that employment, vocational rehabilitation, and other support services are provided under individual work plans as defined by the Commissioner. The employment network and the beneficiary would work together to develop an individual work plan. The work plan will provide beneficiaries with ownership and meaningful participation in their work attempt. Such a plan may include a statement of:

- The vocational goal selected by the beneficiary;

- The services and supports and coordination that have been deemed necessary for the beneficiary to accomplish that goal along with information on the expected duration and estimated costs of such services and supports;

- Any terms and conditions related to the provision of such services and supports; and

- Understanding regarding the rights and responsibilities available to the beneficiary, including information as to where the beneficiary can obtain assistance in resolving disputes.

The Committee believes that a work plan should:

- Be signed by both the beneficiary and a representative of the employment network in receipt of the beneficiary's ticket;

- Provide the beneficiary with the opportunity to amend the plan if a change in circumstances necessitates a change in the plan; and

- be made available to the beneficiary and, as appropriate, in an accessible format chosen by the individual.

The proposal requires employment networks to undertake a vocational evaluation with each beneficiary in conjunction with the work plan. Recognizing that many beneficiaries are self-directed and may not need a vocational evaluation, the proposal provides for beneficiary waiver of the vocational evaluation. To the extent possible, state-of-the-art technology, evaluation tools, and work capacity testing should be utilized to generate as wide a variety of realistic vocational opportunities as possible. However, the Committee does not intend the vocational evaluation to be used as a screening device, but rather as a vehicle to assist individuals with respect to his or her abilities, capacities, interests, or desires.

The bill would authorize the Commissioner to pay employment networks under one of two payment systems: an outcome payment system; or an outcome-milestone payment system. Generally, providers bear a financial risk by providing services first, and being paid later according to their results, i.e., assisting beneficiaries to work, remaining at work and off the benefit rolls. To help small providers participate in the Program, the proposal would provide for one or more milestone payments to providers when an employment-related result has been achieved. Without the outcome-milestone payment system, provider participation in the Program might

be limited to only a few large providers who have the necessary cash flow to serve a substantial number of disabled individuals. However, to ensure the cost-effectiveness of the Program, the total of the outcome-milestone payment would be required to be less than the total amount payable to a provider that would have been payable for each individual under the outcome payment system. Because the provider would be paid for results in both payment systems, the provider has an incentive to work with the beneficiary to find the most effective means of helping that beneficiary remain employed.

Witnesses at the Subcommittee on Social Security hearings have indicated that many beneficiaries do not attempt work because of fears that a work attempt will trigger a continuing disability review that will result in benefit termination. Current law, however, provides that benefits may not be suspended or terminated for beneficiaries who are receiving rehabilitation services that are likely to help individuals to leave the disability rolls. For these reasons, the Committee provided that SSA would not initiate a continuing disability review for those beneficiaries using a ticket under the Program.

The Committee recognizes that implementing a Ticket to Work and Self-Sufficiency Program would require SSA to make system changes related to administering the Program, promulgate regulations, prepare field office instructions, design a Program evaluation methodology, award a contract to program manager(s), etc. Therefore, the proposal provides SSA with 1 year to prepare for Program implementation. The Committee intends that no later than 1 year of enactment, SSA will promulgate regulations as are necessary to carry out the provisions of the Program.

The proposal also provides for a phase-in of the Program to ensure that it is implemented in a feasible, cost-effective manner that provides expanded opportunities for beneficiaries to work and to ultimately assist them in leaving the disability program.

The proposal directs the Commissioner to design and conduct a series of evaluations of the Ticket to Work and Self-Sufficiency Program. The Commissioner would consult with the Comptroller General of the United States, private organizations with appropriate expertise, as well as design and evaluation experts within SSA, such as the Office of Research, Evaluation, and Statistics. These consultations would be expected to occur early in the process to ensure that a sound, reliable framework for evaluation is established at the beginning of the Program. In conducting the evaluations, the Commissioner would be required to consult with individuals who have participated in the Program.

Since SSA has no particular expertise in employment, vocational rehabilitation, or other support services, the proposal creates a Ticket to Work and Self-Sufficiency Advisory Panel to advise the Commissioner in implementing the Program. The Advisory Panel would be an active body consisting of diverse experts representing disability consumers, providers of services, employers, and employees. The bill stipulates that at least one member would be a current or former recipient of disability benefits, however, the Committee intends that to the degree possible, all individuals appointed

as Panel members should possess distinct knowledge and experience regarding return-to-work issues.

The Advisory Panel would provide guidance to the Commissioner on implementing the Program in an efficient, cost-effective manner that provides the maximum amount of incentive to disabled beneficiaries. The Advisory Panel would also provide advice on the design and evaluation of the Program as well as advice on the design of the demonstration project providing for reductions in SSDI benefits based on earnings. The Committee expects the Commissioner to take full advantage of the Advisory Panel's expertise.

The bill would repeal the current law provision that specifies that refusal to accept VR services without good cause will lead to the loss of benefits. Although current law, SSA has not enforced this provision. Because the Program is a voluntary one, a benefit withholding sanction is not feasible. In addition, research indicates that disabled beneficiaries who are most successful at work attempts are those who are self-motivated, therefore, the Committee views the imposition of penalties against disabled beneficiaries who choose not to work as counter-productive.

A recurring complaint among disabled beneficiaries and advocates for disabled individuals is that SSA's work incentives are complex, difficult to understand, and poorly implemented. The proposal requires SSA to establish a corps of work incentive specialists, similar to the cadres of Plan to Achieve Self-Support (PASS) specialists recently implemented in SSA. The work incentive specialist would be responsible for disseminating accurate and accessible information to disabled beneficiaries on all facets of SSA's SSDI and SSI work incentives, including demonstration projects designed to assist beneficiaries to work. Since some beneficiaries attempt work without receiving rehabilitation services, work incentive information would be available to all beneficiaries not just those participating in the Ticket Program. In addition, the Committee encourages SSA to provide available decision support software to these work incentive specialists to ensure accuracy and consistency of information provided.

At various disability-related hearings, the Subcommittee on Social Security learned about the problems unique to beneficiaries who have mental disabilities or chronic conditions, many of whom would like to work but have conditions that only let them work part time. SSDI beneficiaries lose cash benefits when they work and earn over \$500 a month after participating in the 9-month trial work period. Because of the \$500 earnings cliff, many SSDI beneficiaries view remaining on the rolls as financially more attractive than risking the uncertainties of competitive employment, especially when low-wage jobs are the likely outcome.

To help beneficiaries overcome this earnings-cliff hurdle, the proposal would require SSA to test a gradual offset of SSDI cash benefits by reducing benefits \$1 for every \$2 in earnings over a determined level. A reduction in benefits based on earnings will help soften the total loss of benefits to beneficiaries who attempt work. In addition, some experts assert that the results of a permanent provision allowing a SSDI benefit offset of \$1 for every \$2 earned over a determined level would result in prohibitive costs to the OASDI trust fund because it would encourage disabled individuals

who currently work despite their impairments to apply for benefits. The Committee intends that this demonstration project would test whether the elimination of an earnings cliff would remove the disincentive for disabled individuals to leave the disability program and yield reliable evidence regarding any induced entry effect. Also, the bill would require the Commissioner to annually report to the Congress on the progress of this demonstration project. The first report is due June 9, 2000. The Committee intends that SSA avoid any delay in implementation and would expedite the start of this project.

The proposal would require that GAO conduct two studies. There is scant information available regarding whether tax credits and other disability-related employment incentives encourage employers to hire and retain individuals with disabilities. Therefore GAO would study whether such credits are incentives to employers. Also, testimony provided to the Subcommittee revealed that disabled beneficiaries suffer adverse effects when they move from SSI eligibility to OASDI entitlement, particularly with respect to work incentives. GAO would study the effectiveness of work incentives and medical coverage for beneficiaries whose eligibility changes from one program to another.

*Effective date*

The proposal would be implemented on a gradual basis at phase-in sites selected by the Commissioner beginning no later than 1 year after enactment. The Program will be fully implemented as soon as practicable, but not later than 6 years after the Program begins.

C. SECTION 3. EXTENDING MEDICARE COVERAGE FOR OASDI DISABILITY BENEFIT RECIPIENTS WHO ARE USING TICKETS TO WORK AND SELF-SUFFICIENCY

*Present law*

SSDI beneficiaries are allowed to test their ability to work for at least 9 months without affecting their disability or Medicare benefits.

Disability benefit payments stop when a beneficiary has monthly earnings at or above the substantial gainful work level (\$500) after the 9-month period. If the beneficiary remains disabled but continues working, Medicare continues up to an additional 39 months.

*Explanation of provision*

Medicare coverage would be extended for an additional 2-year period beyond current law for SSDI beneficiaries during the 6-year implementation period of the Ticket to Work and Self-Sufficiency Program. The Medicare extension would be implemented on a phased-in basis, paralleling the phase-in of the Ticket.

The Secretary of Health and Human Services and the Commissioner of Social Security would report their recommendations for further legislative action regarding the 2-year Medicare expansion no later than 6 years and 6 months after the date of enactment.

*Reason for change*

According to beneficiaries, their advocates, and rehabilitation providers fear of losing medical benefits is the primary reason beneficiaries are reluctant to attempt work. This provision would eliminate beneficiaries' fear of losing medical coverage for those participating in the Program by extending medical coverage 2 additional years beyond current law provisions.

*Effective date*

The Medicare extension would be implemented on the same graduated basis as the Ticket to Work and Self-Sufficiency Program and at the same phase-in sites selected by the Commissioner no later than 1 year after enactment.

D. SECTION 4. TECHNICAL AMENDMENTS RELATING TO DRUG  
ADDICTS AND ALCOHOLICS

*Present law*

Public Law 104–121 included amendments to the Social Security and Supplemental Security Income (SSI) disability programs providing that no individual could be considered to be disabled if alcoholism or drug addiction would otherwise be a contributing factor material to the determination of disability. The effective date for all new and pending applications was the date of enactment. For those whose claim had been finally adjudicated before the date of enactment, the amendments would apply commencing with benefits for months beginning on or after January 1, 1997. Individuals receiving benefits due to drug addiction or alcoholism can reapply for benefits based on another impairment. If the individual applied within 120 days after the date of enactment, the Commissioner is required to complete the entitlement redetermination by January 1, 1997.

Public Law 104–121 provided for the appointment of representative payees for recipients allowed benefits due to another impairment who also have drug addiction or alcoholism conditions, and the referral of those individuals for treatment.

*Explanation of provision*

The provision clarifies that the meaning of the term “final adjudication” includes a pending request for administrative or judicial review or a pending readjudication pursuant to class action or court remand. Also clarifies that if the Commissioner does not perform the entitlement redetermination before January 1, 1997, that entitlement redetermination must be performed in lieu of a continuing disability review.

Corrects an anomaly that currently excludes all those allowed benefits (due to another impairment) before March 29, 1996, and redetermined before July 1, 1996, from the requirement that a representative payee be appointed and that the recipient be referred for treatment.

*Reason for change*

The provision clearly defines “final adjudication” to avoid any misinterpretation by the courts. One court has concluded that it

can award benefits through January 1, 1997, because the Commissioner's decision denying benefits was issued before March 29, 1996.

As written, current law creates an anomaly, whereby all those allowed benefits (due to another impairment) before March 29, 1996, and redetermined before July 1, 1996, are excluded from the requirement that a representative payee be appointed and that they be referred for treatment. The provision corrects this anomaly.

*Effective date*

The amendments would be effective as though they had been included in the enactment of Section 105 of Public Law 104-121 (March 29, 1996).

E. SECTION 5. EXTENSION OF DISABILITY INSURANCE PROGRAM  
DEMONSTRATION PROJECT AUTHORITY

*Present law*

Under authority that expired on June 9, 1996, the Commissioner may initiate experiments and demonstration projects to test ways to encourage Social Security Disability Insurance (SSDI) beneficiaries to return to work, and may waive compliance with certain benefit requirements in connection with these projects.

*Explanation of provision*

This provision would extend demonstration authority to June 10, 2001, and would include authority for demonstration projects involving applicants as well as beneficiaries.

*Effective date*

Date of enactment.

F. SECTION 6. PERFECTING AMENDMENTS RELATED TO  
WITHHOLDING FROM SOCIAL SECURITY BENEFITS

*Present law*

The Uruguay Round Agreements Act includes revenue provisions requiring that U.S. taxpayers who receive specified Federal payments (including Social Security benefits) be given the option of requesting that the Department of Treasury withhold Federal income taxes from payments made after December 31, 1996.

Section 207 of the Social Security Act prohibits withholding or assignment of Social Security benefits to any party or entity other than the beneficiary.

*Explanation of provision*

Due to a drafting oversight, the Uruguay Round Agreements Act failed to override the Social Security Act provision that prohibits the assignment of benefits. The provision would amend the Social Security Act anti-assignment section to allow provisions in the tax code to be implemented. It also allocates funding for SSA to administer the tax-withholding provision.

*Reason for change*

These provisions amend the Social Security Act so that the provisions in the tax code may be implemented, as originally intended, and funding may be allocated for SSA to administer the tax-withholding provision.

*Effective date*

Applies to benefits paid on or after the first day of the second month beginning after the month of enactment.

## G. SECTION 7. TREATMENT OF PRISONERS

## 1. IMPLEMENTATION OF PROHIBITION AGAINST PAYMENT OF TITLE II BENEFITS TO PRISONERS

*Present law*

Current law prohibits prisoners from receiving Old Age, Survivors and Disability (OASDI) benefits while incarcerated if they are convicted of any crime punishable by imprisonment of more than one year. Federal, State, county or local prisons are required to make available, upon written request, the name and Social Security number (SSN) of any individual so convicted who is confined in a penal institution or correctional facility.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996, requires the Commissioner to make agreements with any interested State or local institution to provide monthly the names, SSNs, confinement dates, dates of birth, and other identifying information of residents who are Supplemental Security Income (SSI) recipients. The Commissioner is required to pay the institution \$400 for each SSI recipient who becomes ineligible as a result, if the information is provided within 30 days of incarceration, and \$200 if the information is furnished after 30 days but within 90 days. P.L. 104-193 requires the Commissioner to study the desirability, feasibility, and cost of establishing a system for courts to directly furnish SSA with information regarding court orders affecting SSI recipients, and requiring that State and local jails, prisons, and other institutions that enter into contracts with the Commissioner furnish the information by means of an electronic or similar data exchange system.

The Commissioner is authorized to provide, on a reimbursable basis, information obtained pursuant to these agreements to any Federal or federally-assisted cash, food or medical assistance program, for the purpose of determining program eligibility.

*Explanation of provision*

The provision amends prisoner provisions in P.L. 104-193 to include Old Age, Survivors, and Disability Insurance (OASDI) benefits.

The Commissioner would enter into an agreement with State and local correctional institutions to provide monthly reports which list the names, SSNs, confinement dates, dates of birth, and other identifying information regarding prisoners who receive OASDI benefits. Certain requirements for computer matching agreements would not apply. For each eligible individual who becomes ineli-

gible as a result, the Commissioner would pay the institution an amount up to \$400 if the information is provided within 30 days of incarceration, and up to \$200 if provided after 30 days but within 90 days.

Payments to correctional institutions are reduced by 50 percent for multiple reports on the same individual who receives both SSI and OASDI benefits. Payments made to the correctional institution are made from OASI or DI Trust Funds, as appropriate.

The Commissioner is authorized to provide, on a reimbursable basis, information obtained pursuant to these agreements to any Federal or Federally-assisted cash, food, or medical assistance program for the purpose of determining program eligibility.

*Reason for change*

The provision applies the prohibitions against payment of benefits to OASDI benefits in the same manner that they apply to SSI benefits. Both SSI and OASDI prisoner provisions were included in the House-passed version of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996. OASDI provisions were deleted in the Senate because of Senate procedural rules. This language restores the OASDI provisions.

These provisions provide new financial incentives for State and local correctional institutions to report information on inmates to the Social Security Administration (SSA) so that payment of OASDI benefits to prisoners being supported at taxpayer expense are stopped promptly.

Privacy Act procedural requirements for computer matching agreements between the Commissioner and correctional institutions impose an excessively costly administrative burden that could hamper the administration of the prisoner payment provisions. Therefore, the Computer Matching and Privacy Protection Act would not apply to the information exchanged under these provisions.

The provision allows SSA to share, and be reimbursed for, any information obtained through these agreements that would assist other Federal agencies in administering their programs.

Payments would be restricted to \$400, even if the prisoner is entitled to both SSI and OASDI benefits.

*Effective date*

These amendments would be effective for confinements beginning at least three full months after the date of enactment.

2. ELIMINATION OF TITLE II REQUIREMENT THAT CONFINEMENT STEM FROM CRIME PUNISHABLE BY IMPRISONMENT FOR MORE THAN 1 YEAR

*Present law*

The Social Security Act bars payment of OASDI benefits to prisoners convicted, or who are institutionalized because they are found guilty but insane, of any crime punishable by imprisonment of more than a year.

*Explanation of provision*

This provision would broaden the prohibition of OASDI payment benefits to prisoners to be identical to those that apply to SSI benefits. In addition, it would replace “an offense punishable by imprisonment for more than 1 year” with “a criminal offense,” delete other language, and include benefits payable to persons confined, throughout a month, to: (1) a penal institution; or (2) other institution if found guilty but insane, regardless of the total duration of the confinement.

*Reason for change*

An audit conducted by the SSA Office of Inspector General determined that the language in existing law required that for each prisoner eligible for benefits, the duration of incarceration be determined on a case-by-case basis, based on data that can only be obtained from the courts. This is a costly, labor-intensive process that impedes timely suspension of benefits. As a matter of fairness, benefits would also be barred to persons who commit serious crimes but are found guilty by reason of insanity, regardless of the total duration of the institutionalization.

*Effective date*

Effective for those prisoners whose confinement begins on or after the first day of the fourth month after the month of enactment.

## 3. CONFORMING TITLE XVI AMENDMENTS

*Present law*

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 required the Commissioner of Social Security to enter into an agreement with any interested State or local institution (defined as a jail, prison, other correctional facility, or institution where the individual is confined due to a court order) under which the institution shall provide monthly the names, Social Security numbers, dates of birth, confinement dates, and other identifying information. The Commissioner must pay to the institution for each eligible individual who becomes ineligible for SSI \$400 if the information is provided within 30 days of the individual’s becoming an inmate. The payment is \$200 if the information is furnished after 30 days but within 90 days.

*Explanation of provision*

The amendment would clarify that, in cases in which an inmate receives benefits under both the SSI and Social Security programs, payments to correctional facilities would be restricted to \$400 or \$200, depending on when the report is furnished. The amendment also expands the categories of institutions eligible to report incarceration of prisoners.

*Reason for change*

Applies payment restriction to correctional facilities for OASDI benefits in the same manner that they apply to SSI payments.

*Effective date*

August 22, 1996.

4. CONTINUED DENIAL OF BENEFITS TO SEX OFFENDERS REMAINING CONFINED TO PUBLIC INSTITUTIONS UPON COMPLETION OF PRISON TERM

*Present law*

No provision.

*Explanation of provision*

The amendment would prohibit OASDI payments to sex offenders who, on completion of a prison term, remain confined in a public institution pursuant to a court finding that they continue to be sexually dangerous to others.

*Reason for change*

The denial of benefits is extended in the case of sex offenders who remain confined after completing their prison terms.

*Effective date*

The amendment would apply to benefits for months ending after the date of enactment.

H. SECTION 8. REVOCATION BY MEMBERS OF THE CLERGY OF EXEMPTION FROM SOCIAL SECURITY COVERAGE

*Present law*

Practicing members of the clergy are automatically covered by Social Security as self-employed workers unless they file for an exemption from Social Security coverage within a period ending with the due date of the tax return for the second taxable year (not necessarily consecutive) in which they receive reimbursement for their ministerial services. Members of the clergy seeking the exemption must file statements with their church, order, or licensing or ordaining body stating their opposition to the acceptance of Social Security benefits on religious principles. If elected, this exemption is irrevocable.

*Explanation of provision*

The proposal would provide a 2-year "open season," beginning January 1, 1999, for members of the clergy who want to revoke their exemption from Social Security. This decision to join Social Security would be irrevocable. A member of the clergy choosing such coverage would become subject to self employment taxes and his or her subsequent earnings would be credited for Social Security (and Medicare) benefit purposes.

*Reason for change*

Some members of the clergy elected not to participate in Social Security (and Medicare) early in their careers, before they fully understood the ramifications of doing so. Because the election is irrevocable, there is no way for them to gain access to the program under current law. Clergy typically have modest earnings through-

out their working life times and would be among those most likely to rely on Social Security (and Medicare) for much of their basic health care and living expenses in retirement. This proposal gives them a limited opportunity to enroll in the system, similar to those provided by Congress in 1977 and 1986.

*Effective date*

The proposal would be effective with respect to service performed in taxable years beginning after December 31, 1998, for a period of 2 years, and with respect to monthly benefits in or after the calendar year the individual's application for revocation is effective.

I. SECTION 9. ADDITIONAL TECHNICAL AMENDMENT RELATING TO COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS UNDER TITLES II AND TITLE XVI

*Present law*

Current law authorizes funding for making grants to States and public and other organizations for paying part of the cost of cooperative research or demonstration projects.

*Explanation of provision*

Clarifies current law to include agreements or grants concerning title II of the Social Security Act.

*Reason for change*

Corrects an omission of intended title II authority.

*Effective date*

August 4, 1994.

**III. VOTE OF THE COMMITTEE**

In compliance with change 2(1)(2)(B) of rule XI of the Rules of the House of Representatives, the following statement is made:

The bill, H.R. 3433 was ordered favorably reported to the House of Representatives May 6, 1998 by voice vote, with a quorum present.

**IV. BUDGET EFFECTS OF THE BILL**

A. COMMITTEE ESTIMATE OF BUDGETARY EFFECTS

In compliance with clause 7(a) of rule XIII of the Rules of the House of Representatives, the following statement is made:

The Committee agrees with the estimate prepared by the Congressional Budget Office (CBO) which is included below.

B. STATEMENT REGARDING NEW BUDGET AUTHORITY AND TAX EXPENDITURES

In compliance with clause 2(1)(3)(B) of rule XI of the Rules of the House of Representatives, the Committee states the Committee bill results in net decreased budget authority for direct spending programs relative to current law, and no new or increased tax expend-

itures. Revenues are increased due to the revocation by members of the clergy of exemption from Social Security coverage.

C. COST ESTIMATE PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

In compliance with clause 2(1)(3)(C) of rule XI of the House of Representatives requiring a cost estimate prepared by the Congressional Budget Office, the following report prepared by CBO is provided:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, May 8, 1998.*

Hon. BILL ARCHER,  
*Chairman, Committee on Ways and Means,  
House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 3433, the Ticket to Work and Self-Sufficiency Act of 1998.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Kathy Ruffing.

Sincerely,

PAUL VAN DE WATER  
(for June E. O'Neill, Director).

Enclosure.

*H.R. 3433—Ticket to Work and Self-Sufficiency Act of 1998*

Summary: H.R. 3433, the Ticket to Work and Self-Sufficiency Act of 1998, would revamp the system under which people collecting disability benefits from the Social Security and Supplemental Security Income programs receive vocational rehabilitation services. The bill would also require several demonstration projects, give certain members of the clergy another opportunity to enroll in the Social Security system, and tighten restrictions on the payment of Social Security benefits to certain prisoners. CBO estimates that the bill would add to the federal surplus by \$38 million over the 1999–2003 period; of that amount, \$11 million is in Social Security (which is legally off-budget) and the rest in other programs (which are on-budget).

H.R. 3433 contains no intergovernmental mandates, as defined in the Unfunded Mandates Reform Act (UMRA) and would impose no costs on state, local, or tribal governments.

Estimated cost to the Federal Government: The estimated budgetary impact of H.R. 3433 is summarized in the following table. The costs of this legislation fall within budget functions 570 (Medicare), 600 (Income Security), and 650 (Social Security).

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 3433

[By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
DIRECT SPENDING						
Spending under current law:						
Old-Age, Survivors, and Disability Insurance .....	375,785	391,477	408,764	427,736	448,711	471,221

TABLE 1. SUMMARY OF ESTIMATED BUDGETARY EFFECTS OF H.R. 3433—Continued  
 [By fiscal year, in millions of dollars]

	1998	1999	2000	2001	2002	2003
Supplemental Security Income .....	27,301	28,563	29,985	31,595	33,371	35,302
Medicare <sup>1</sup> .....	196,941	208,178	218,505	239,668	246,198	270,931
Medicaid .....	100,506	108,418	115,014	122,594	130,891	140,742
<b>Total</b> .....	<b>700,533</b>	<b>736,636</b>	<b>772,268</b>	<b>821,593</b>	<b>859,171</b>	<b>918,196</b>
<b>Proposed changes:</b>						
Old-Age, Survivors, and Disability Insurance .....	0	2	1	7	10	7
Supplemental Security Income .....	0	-1	-5	-6	-6	-8
Medicare <sup>1</sup> .....	0	0	0	( <sup>2</sup> )	( <sup>2</sup> )	2
Medicaid .....	0	( <sup>2</sup> )				
<b>Total</b> .....	<b>0</b>	<b>1</b>	<b>-4</b>	<b>1</b>	<b>5</b>	<b>1</b>
Off-budget (OASDI) .....	0	2	1	7	10	7
On-Budget .....	0	-1	-5	-6	-6	-6
<b>Proposed spending under H.R. 3433:</b>						
Old-Age, Survivors, and Disability Insurance .....	375,785	391,479	408,765	427,743	448,721	471,228
Supplemental Security Income .....	27,301	28,562	29,980	31,589	33,365	35,294
Medicare <sup>1</sup> .....	196,941	208,178	218,505	239,668	246,198	270,933
Medicaid .....	100,506	108,418	115,014	122,594	130,891	140,742
<b>Total</b> .....	<b>700,533</b>	<b>736,637</b>	<b>772,264</b>	<b>821,594</b>	<b>859,176</b>	<b>918,197</b>
<b>REVENUES</b>						
<b>Proposed Changes:</b>						
Off-budget (OSADI) .....	0	3	7	9	9	10
On-budget .....	0	( <sup>2</sup> )	1	1	1	1
<b>Total</b> .....	<b>0</b>	<b>3</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>11</b>
<b>DEFICIT (-) OR SURPLUS</b>						
<b>Proposed changes:</b>						
Off-budget (OASDI) .....	0	( <sup>2</sup> )	7	2	-1	2
On-budget .....	0	1	6	7	7	7
<b>Total</b> .....	<b>0</b>	<b>2</b>	<b>12</b>	<b>9</b>	<b>6</b>	<b>9</b>

<sup>1</sup> Medicare consists of outlays of the Hospital Insurance and Supplementary Medical Insurance trust funds, less premiums.

<sup>2</sup> Less than \$500,000.

Note.—Components may not sum to totals due to rounding. OASDI=Old-Age, Survivors, and Disability Insurance.

**Basis of estimate:** For purposes of estimating the budgetary effects of H.R. 3433, CBO assumes enactment in September 1998. CBO's estimate of the bill's effects, by provision, are detailed in the following table and explained below.

**Ticket to Work and Self-Sufficiency Program (Section 2):** Section 2 of H.R. 3433 would change the way that vocational rehabilitation (VR) services are provided to recipients of Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) benefits. It would also require that SSA test the savings (or costs) of some alternative methods of treating earnings in the DI program.

Current Law. DI and SSI recipients currently receive VR services chiefly through state VR agencies. Data on their experience under those programs are sketchy. The Social Security Administration (SSA) attempts to spot good candidates for VR and refer them for services when it awards benefits, but it does not monitor what happens to them next. VR agencies accept only a fraction of the candidates referred. SSA reimburses the VR agencies for the cost of services rendered if the beneficiary has performed 9 consecutive months of substantial gainful activity (SGA, currently defined by regulation as earnings of more than \$500 a month). In 1996, SSA

began recruiting alternate providers under the Referral System for Vocational Rehabilitation Providers (RSVP) program. Candidates must first be referred to and rejected by the state VR agencies, and the alternate providers face the same reimbursement system (that is, a single payment after 9 months of substantial work). Thus, VR for DI and SSI recipients remains fundamentally a state program.

Scattered clues suggest that approximately 10 percent to 15 percent of new DI and SSI recipients are referred to state VR agencies and that about 10 percent of those referred are accepted. Recently, SSA has made approximately 650,000 DI awards a year; thus, it is likely that about 60,000 to 90,000 a year were referred to VR and perhaps 6,000 received services. SSA has consistently paid for about 4,000 claims per year for VR services provided to DI recipients. SSA has also steadily paid about 4,000 claims for VR services to SSI recipients. Since about 2,000 claims are for people who collect benefits under both programs, total claims reimbursed are about 6,000 a year.

TABLE 2. ESTIMATED BUDGETARY EFFECTS OF PROVISIONS OF H.R. 3433

[By fiscal year, in millions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
SECTION 2										
Ticket program for vocational rehabilitation clients-DI:										
Payments to program manager .....	1	2	1	1	2	3	3	4	4	4
Milestone payments to providers .....	0	( <sup>1</sup> )	1	5	11	17	21	24	28	33
Incentive payments to providers .....	0	( <sup>1</sup> )	( <sup>1</sup> )	3	12	27	48	66	87	109
Gradual phase-out of current VR system .....	0	( <sup>1</sup> )	( <sup>1</sup> )	-3	-8	-14	-21	-32	-44	-58
Benefits avoided .....	0	( <sup>1</sup> )	( <sup>1</sup> )	-4	-20	-48	-84	-98	-112	-126
Extra benefits paid .....	0	( <sup>1</sup> )	1	2	3	5	7	10	13	16
Subtotal, DI .....	1	2	3	5	1	-10	-26	-27	-24	-22
Resulting Medicare savings <sup>2</sup> .....	0	0	( <sup>1</sup> )	( <sup>1</sup> )	1	1	1	-2	-9	-20
Total, provision .....	1	2	3	5	1	-9	-25	-29	-33	-41
Tickets program for vocational rehabilitation clients-SSI:										
Payments to program manager .....	( <sup>1</sup> )	1	( <sup>1</sup> )	1	1	1	2	2	2	2
Milestone payments to providers .....	0	( <sup>1</sup> )	1	3	6	9	10	12	14	16
Incentive payments to providers .....	0	( <sup>1</sup> )	( <sup>1</sup> )	1	3	7	12	17	22	28
Gradual phase-out of current VR system .....	0	( <sup>1</sup> )	( <sup>1</sup> )	-1	-4	-7	-11	-16	-22	-29
Benefits avoided .....	0	( <sup>1</sup> )	( <sup>1</sup> )	-1	-5	-12	-22	-25	-29	-32
Extra Benefits paid .....	0	0	0	0	0	0	0	0	0	0
Subtotal, SSI .....	( <sup>1</sup> )	1	1	2	( <sup>1</sup> )	-3	-8	-11	-13	-15
Resulting Medicaid savings .....	( <sup>3</sup> )									
Total, Provision .....	( <sup>1</sup> )	1	1	2	( <sup>1</sup> )	-3	-8	-11	-13	-15
"1-for-2" Demonstration Projects: <sup>5</sup>										
Contractor Costs .....	0	( <sup>1</sup> )	4	5	6	6	4	4	4	4
DI Benefit Costs .....	0	0	3	8	13	18	19	18	18	18

TABLE 2. ESTIMATED BUDGETARY EFFECTS OF PROVISIONS OF H.R. 3433—Continued  
 [By fiscal year, in millions of dollars]

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Medicare Costs .....	0	0	0	0	2	4	7	9	9	9
Total, Provision .....	0	0	7	13	20	28	29	31	31	31
SECTION 3										
Extension of Medicare from 3 years to 5 years for clients suspended from DI who have used a ticket <sup>4</sup> .....	0	0	0	0	( <sup>1</sup> )	( <sup>1</sup> )	1	0	0	0
SECTION 5										
Extension of DI demonstration project authority until June 10, 2001 .....	3	5	5	3	( <sup>1</sup> )	0	0	0	0	0
SECTION 7										
Prisoner-related provisions:										
Payments to prison officials—OASDI .....	2	7	7	8	9	10	10	10	10	10
Payments to prison officials—SSI .....	0	1	1	1	1	1	1	1	1	1
Savings in benefits—OASDI .....	-3	-13	-15	-18	-20	-20	-20	-20	-20	-20
Savings in benefits—SSI .....	-1	-6	-7	-8	-9	-10	-10	-10	-10	-10
Total, provision .....	-3	-13	-15	-17	-20	-20	-20	-20	-20	-20
SECTION 8										
Two-year open season for enrollment by clergy:										
Off-budget (OASDI) revenues	3	7	9	9	10	10	10	11	11	11
On-budget (HI) revenues .....	1	2	2	2	2	2	2	2	3	3
Other On-budget revenues ...	( <sup>1</sup> )	-1	-1	-1	-1	-1	-1	-1	-1	-1
OASDI benefits .....	( <sup>1</sup> )									
Total, provision (effect on deficit) .....	-3	-8	-10	-10	-11	-11	-11	-12	-12	-13
TOTAL										
Outlays:										
On-budget .....	-1	-5	-6	-6	-6	-7	-9	-14	-22	-35
Off-budget .....	2	1	7	10	7	4	-14	-15	-13	-11
Total .....	1	-4	1	5	1	-2	-23	-29	-35	-46
Revenues										
On-budget .....	( <sup>1</sup> )	1	1	1	1	1	1	1	1	1
Off-budget .....	3	7	9	9	10	10	10	11	11	11
Total .....	3	8	10	10	11	11	11	12	12	13
Deficit (-) or surplus (+)										
On-budget .....	1	6	7	7	7	8	10	15	23	36
Off-budget .....	( <sup>1</sup> )	7	2	-1	2	6	24	26	24	22
Total .....	2	12	9	6	9	14	35	41	47	58

<sup>1</sup> Less than \$500,000.

<sup>2</sup> These savings would occur under current Medicare law. Section 3 of the bill would also extend Medicare coverage for certain suspended recipients.

<sup>3</sup> CBO expects that the vast majority of rehabilitated SSI recipients would continue to get Medicaid coverage through the 1619(b) program.

<sup>4</sup> Under the proposal, the Medicare extension would cover only those recipients who returned to work and used a "ticket" under the new program. The provision would expire 7 years after enactment.

<sup>5</sup> The bill would require SSA to test graduated reductions in benefits (such as "\$1-for-\$2" above \$85 or above SGA, currently \$500) on a sufficient scale and for a long enough period to permit valid statistical analysis.

Note.—Components may not sum to totals due to rounding.

Clearly, some DI and SSI recipients also return to work without the help of VR agencies. Research suggests that only 10 percent to

20 percent of DI recipients ever work after they start collecting benefits, and only 2 percent to 3 percent eventually have benefits withheld. In contrast, SSA reimburses claims for VR services for fewer than 1 percent of recipients. Thus, for each VR success, one or two other DI recipients go back to work and are suspended from the rolls without VR.

The DI program has several features that are meant to smooth beneficiaries' return to work. Applicants must show that they are incapable of substantial work in order to be awarded benefits. If they do work, the law permits them to earn unlimited amounts for a 9-month period (known as trial work) and a subsequent 3-month grace period before suspending benefits. During the next 3 years—a period known as the extended period of eligibility, or EPE—those beneficiaries may automatically return to the DI rolls if their earnings sink below \$500. Furthermore, Medicare benefits (for which DI beneficiaries qualify after two years on the rolls) also continue during the 3 years of extended eligibility.

The SSI disability program is restricted to people with low income and few resources. Although applicants for SSI benefits must meet the same disability criteria as in the DI program, the SSI program's subsequent treatment of earnings differs somewhat. SSI recipients who work get a reduced benefit (essentially, losing \$1 of benefits for each \$2 of earnings over \$85 a month) but do not give up their benefit entirely. If their earnings top \$500 but they are still medically disabled, they move into section 1619(a) status (and still collect a small cash benefit). If their earnings rise further, they enter 1619(b) status (where they collect no cash benefit but still qualify for Medicaid).

H.R. 3433. The bill would revamp the VR system by permitting nearly any recipient who desires VR to receive it, by permitting clients to choose from a variety of providers in addition to state VR agencies, and by stretching out reimbursements to providers for up to 5 years, contingent on their clients' sustained absence from the rolls.

Under H.R. 3433, SSA would issue tickets to DI and SSI beneficiaries that they could assign to approved VR providers, whether state, private for-profit, or nonprofit. The bill would grant wide latitude to SSA in deciding the terms and conditions of the tickets; SSA tentatively plans to issue tickets to new beneficiaries at the time of award, unless they are deemed likely to recover medically, and to current beneficiaries following a continuing disability review. By accepting a ticket, providers—labeled “networks” in the bill—would agree to supply services, such as training, assistive technology, physical therapy, or placement. A program manager, selected by SSA, would aid in recruiting providers and handling the nuts-and-bolts administration of the program.

Providers could choose between two forms of reimbursement from SSA. One system would be based solely on outcomes; the provider would receive 40 percent of the advantage DI or SSI benefit for up to 5 years, so long as the client stayed off the rolls. Some providers fear, through, that they would experience acute cash-flow problems under such a system. To address that concern, the bill also offers a blended system, bubbled the “milestone-outcome” system. Under that system, SSA would make some payments earlier, but would

trim subsequent payments to ensure that the overall cost (calculated on a net present value basis) did not exceed the cost of a pure outcomes system.

The new program would be phased in gradually. H.R. 3433 calls for it to start in selected areas a year after enactment, and to operate nationwide six years later. Because new providers would continue to come on board even after the program starts operation in an area, CBO assumes that it would take nearly 10 years for the new program to run at its full potential.

CBO assumes that about 7 percent of newly-awarded beneficiaries would seek VR services if they were readily available, versus only about 1 percent who receive them under current law. Both the Transitional Employment Demonstration (TED, a demonstration conducted in the mid-1980s and confined to mentally retarded recipients) and Project Network (a demonstration begun in 1992 and open to both DI and SSI beneficiaries) suggested that about 5 percent of beneficiaries would enroll in VR if given the chance. CBO judged that the level of interest ultimately would slightly exceed 5 percent for two reasons. First, intake under Project Network developed bottlenecks, which may have discouraged some potential participants. Second, Project Network barred any recipients who were employed or self-employed from enrolling; no such bar would be in place under H.R. 3433, however, and those recipients would probably be interested in receiving services and would be attractive to providers.

Research suggests that giving VR raises the propensity to work, and only work can lead to an earnings-related suspension. Based on several econometric studies and on the results to the TED demonstration, CBO assumes that slightly over half of the extra recipients would work. That raw figure, however, can easily exaggerate the effectiveness of VR. The handful of beneficiaries who would sign up for VR are probably the most motivated, and many would have worked anyway. In fact, CBO assumes that one effect of H.R. 3433 would be to enable providers to be reimbursed for providing services for many people who would have worked anyway.

These expected effects can be illustrated by following the experiences of one hypothetical cohort of 650,000 disabled workers—the approximate volume of annual awards in 1992 through 1997. Under current law, about 6,000 would be served under the state VR programs; 4,000 of them would eventually generate a reimbursement to the state program, and would be suspended for at least a month. Another 9,000 would be suspended due to earnings, for at least one month, without any reimbursement to VR. Thus, total suspensions would be about 13,000, or about 2 percent of the cohort, under current law. CBO assumes that, if those beneficiaries could freely enroll in VR using a “ticket,” about 7 percent or 47,000 would get VR services. Most of those VR clients would work, and many (about 12,000) would be suspended for at least one month, an increase of 8,000 in VR-reimbursed cases. However, CBO assumes that about 6,000 of these workers would have gone back to work unaided. Thus, for this cohort, net VR-related suspensions would be 2,000 higher.

In estimating H.R. 3433, CBO adjusted those hypothetical figures for its caseload projections and timing factors. First, CBO as-

sumes that the volume of disabled-worker awards gradually climbs from 625,000 in 1998 to about 810,000 in 2005. Second, CBO also assumed that some extra rehabilitations would occur among the nearly 5 million current DI beneficiaries, not just among new awards, although current beneficiaries are generally poorer candidates for VR than new applicants with more recent work experience. Third, CBO adjusted the numbers for the gradual phase-in of the new system. Under the bill's schedule, assuming enactment by September 1998, the first services would be rendered at a handful of sites in fiscal year 2000. If those clients engaged in trial work in 2001, the first extra suspensions would occur in 2002. Each year, more areas would be brought into the new system.

Specifically, CBO assumed that the number of net additional suspensions—that is, suspensions that would not occur in the absence of the new program—would equal only 400 in 2002, 1,800 in 2003, and between 3,000 and 4,000 a year in 2004 through 2008. Gross suspensions that involve reimbursement to a VR provider would range between 4,000 and 5,000 a year under current law, but would be markedly higher—about 700 more in 2002 and about 9,000 more in 2008—under the proposal. And the number of suspensions involving no reimbursement to VR would drop from about 9,000 in 2002 to about 5,500 in 2008.

CBO also had to make assumptions about recidivism. Many studies have documented that DI recipients who leave the rolls often return. It is not clear whether recipients of VR services are more or less likely to return to the rolls than others; some evidence suggests that the extra boost provided by VR fades over time. Because H.R. 3433 proposes to pay providers for up to 5 years, but only if the recipient stays off the rolls, assumptions about recidivism are critical. Based on a variety of sources, CBO assumes that recipients suspended from the rolls have about a two-thirds chance of still being suspended one year later, about a one-half chance 3 years later (when, technically, their DI entitlement is terminated), and a 40 percent chance after 5 years.

*Effects of the Tickets Program in DI.* The budgetary consequences of H.R. 3433, from the standpoint of the DI program, would consist of seven effects:

*Payments to the program manager.*—SSA would hire a program manager to coordinate issuance of tickets, the recruitment of providers, and other asks. Based on a similar arrangement in the RSVP program, CBO assumes that payments to the program manager would amount to just a few million dollars a year.

*Milestone payments to providers.*—As explained earlier, the bill would give providers a choice between a pure outcome-based system (in which providers would get only periodic payments during the period of suspension) and a blended outcome-milestone system (in which they could get some money earlier). CBO assumes that most providers would opt for the blended system, which CBO assumes to consist of \$500 after several months of work and a \$1,000 bonus on the date of suspension. Placements would be considerably easier for providers to achieve than suspensions. In 2002, milestone payments would be \$1 million for the first batch of 1,000 gross suspensions (mostly people enrolled in 2000, the first year of services) and another \$4 million for about 8,000 working clients (mostly peo-

ple served in 2001) for a total of \$5 million. In 2008, these payments would be about \$14 million for 14,000 gross suspensions and another \$19 million for about 38,000 work efforts, or \$33 million total.

*Incentive payments to providers.*—The incentive payments would occur over a period of up to 5 years if the beneficiary remains off the rolls. In the pure outcomes system, they would be 40 percent of average benefits. CBO assumes that most providers would opt for the blended payment system, under which—in return for getting some earlier milestone payments—they would accept incentive payments of 30 percent. In 2002, 1,000 suspended beneficiaries would each generate an incentive payment of 30 percent times about \$800 a month, or about \$3 million for the year. In fiscal year 2008, gross suspensions of rehabilitation clients over the 2004–2008 period are assumed to be about 50,000. Some of those would have returned to the rolls, and a few would have died; CBO assumes that 33,000 of the 50,000 would remain suspended. At an average benefit of about \$900 a month, incentive payments would total \$109 million.

*Gradual phase-out of current VR system.*—CBO assumes that, under current law, the DI trust fund would reimburse claims for VR services (principally claims from state agencies) of about 4,000 at present (at an average cost of about \$11,000), growing to about 5,300 in 2008 (at an average cost of about \$14,000). The new program would gradually replace the current-law system. Even by 2008, a few vestiges of the old system would remain; roughly 20 percent of services rendered in 2006, for example, might still lie outside ticket areas and therefore would generate reimbursements in 2008 (allowing one year for services and one year for trial work) under the old system. Thus, in 2008, the current-law VR program is expected to cost about \$70 million, and about 80 percent of that would have been superseded by the new system.

H.R. 3433 would grant state VR agencies the option of remaining in the current reimbursement system—that is, charging reimbursement for the full amount of costs incurred after 9 months of work. Whether or not those agencies would choose to remain, though, is largely immaterial to CBO's estimate; most clients would be served by other providers.

*Benefits avoided.*—The various payments to providers discussed above all depend on the number of gross rehabilitations. The savings in DI benefits, in contrast, depend on the number of net or extra rehabilitations. That distinction is important: when providers serve clients who would have worked and eventually been suspended anyway, they do not generate savings in DI benefits.

In 2002, of the total 1,000 suspensions of ticket holders, only 400 would constitute extra rehabilitations. At an average benefit of about \$800 a month, savings would be \$4 million. By 2008, CBO assumes that there would have been a total of 53,000 gross rehabilitations over the 2002–2008 period of which 20,000 would represent extra rehabilitations. Under CBO's assumptions about recidivism, about 12,000 of those 20,000 would still be off the rolls; at an average benefit of about \$900, benefit savings would be about \$126 million.

*Extra benefits paid.*—Some people might file for DI benefits in order to get VR services, or may even be encouraged to do so by prospective providers (for example, by an insurance company that helps to run their employer's private disability or workers' compensation coverage). For those filers, the entire benefit cost (for any time they spend on the rolls) and the VR cost (if they do eventually get suspended) would be a net cost to the DI program.

To some extent, SSA could minimize this problem by setting the terms and conditions under which it would issue tickets—for example, by denying them to beneficiaries who are expected to experience a medical recovery quite soon. But some such filers might still seep through. CBO assumes that, when fully phased in, about 500 such filers would be induced to apply each year, and half would in fact be rehabilitated after a year or two on the rolls. By 2008, under the phase-in assumptions used by CBO, there would have been a total of 2,400 awards to induced filers; 1,400 would still be on the rolls; and benefits to them, assuming an average monthly check of \$900, would cost about \$16 million.

*Resulting Medicare savings.*—DI recipients who return to work automatically continue to receive Medicare coverage for 3 years after their suspension from DI. By leading to the rehabilitation and suspension of more DI recipients, H.R. 3433 would be expected to generate some savings in Medicare. DI beneficiaries who are capable of working are probably healthier than other beneficiaries, and their per-capita Medicare cost therefore less than average.

Under CBO's assumption that the first services would be rendered in 2000 and the first resulting suspensions in 2002, Medicare savings would begin in 2005. Of the 400 extra suspensions in 2002, only 200 are still suspended when they complete their EPE in 2005, and Medicare savings would be a scant \$1 million. By 2008, 10,000 extra suspensions are assumed to have occurred over the 2002–2005 period; 5,000 would still be off the rolls; and \$20 million in Medicare savings would result.

On balance, over the 1999–2003 period, CBO posits a small net cost in the DI program from the proposed tickets, mainly because there would be very few extra rehabilitations but there would be some startup costs and a few dollars paid to induced filers. Later, CBO posits small net savings, chiefly because the DI benefit savings from the extra suspensions outweigh, by a slim margin, the costs of paying for those beneficiaries who are skimmed by the providers. Obviously, different assumptions about the relative sizes of these groups would change the conclusions.

*Effects of the Tickets Program in SSI.*—H.R. 3433 would also bring SSI participants into the new tickets to work program. CBO estimated effects in the SSI program in a manner similar to its estimates for DI. There are a few notable differences.

The number of SSI recipients affected by the bill is generally assumed to be only half as many as in DI. Under current law, SSA generally pays for about 6,000 rehabilitations a year—4,000 in DI and 4,000 in SSI, of which 2,000 are concurrent. Under the bill, services rendered by providers to concurrent beneficiaries would essentially be compensated under the DI rules. Thus, to avoid double-counting concurrent beneficiaries, CBO generally assumed only half as many cases in its SSI estimates as in the analogous DI esti-

mates. Average benefits for disabled SSI beneficiaries are also only about half as large as in the DI program—in 2002, for example, about \$400 in SSI versus \$800 in DI. Therefore, all payments under the proposed system that are pegged to the average benefit, such as the incentive payments to providers, would be smaller in SSI. In fact, that provision has aroused concern that providers would be less willing to provide services to the SSI population. CBO implicitly assumes that providers would serve this group, perhaps emphasizing cheaper services with repeated interventions if necessary.

Because SSI is limited to beneficiaries with low income and few resources, CBO assumed that there would be few induced filers. CBO also assumed that most SSI beneficiaries affected by the bill would retain Medicaid coverage through section 1619(b).

The upshot of H.R. 3433 in the SSI program is a pattern that resembles that for DI: small early costs, giving way to small savings after 2003.

*Demonstration Projects.* Under current law, after completing the trial work period and the 3-month grace period (during which earnings are disregarded), a disabled worker gives up his or her entire benefit in any month that earnings exceed SGA (\$500). Both anecdotal and statistical evidence suggest that many beneficiaries balk at that, instead quitting work or holding their earnings just below the threshold. Some advocates favor instead, cutting benefits by \$1 for every \$2 of earnings over \$500 a month. More modestly, some favor a treatment of earnings more like the SSI program—a cut of \$1 in benefits for every \$2 of earnings over \$85 a month.

It is very likely that such proposals would encourage more people who are already on the DI rolls to work. Although fewer beneficiaries would be suspended (i.e., have their benefit reduced to zero,) many might have their benefit substantially reduced. A major concern about such proposals is that they would encourage an unknown number of people to file for benefits. Survey data suggest that there are millions of severely impaired people who are nevertheless working and not collecting DI. Filing for benefits, and working part-time, might improve their standards of living. That incentive would be much stronger if the DI program liberalized its treatment of earnings. The SSA Actuary's office in 1994 estimated that applying a \$1-for-\$2 policy for earnings above \$500 would cost \$5 billion in extra DI benefits over a 5-year period and that setting the threshold at \$85 would cost \$2 billion.

H.R. 3433 would require SSA to conduct demonstrations to test the effects of a \$1 reduction in benefits for each \$2 of earnings. It would require that SSA conduct the demonstrations on a wide enough scale, and for a long enough period, to permit valid analysis of the results. CBO assumed that, to comply with those criteria, the demonstrations would have to include perhaps half a dozen small states, that the intake phase of the project would have to last three or four years to permit observation of the expected induced filers and that the incentives themselves would have to be promised to the beneficiaries for an indefinite period. Because the demonstrations would pose formidable issues of design and administration, CBO assumes they would not get under way until 2001. CBO also assumes that the demonstration would be conducted in areas

with and without the tickets to work and self-sufficiency, to enable the effect of the incentives to be isolated from the effects of the new VR program. Even a relatively small-scale demonstration might thereby apply to approximately 2 percent to 3 percent of the nation. Multiplying that percentage times the DI benefit costs contained in the Actuaries' 1994 memo suggests that the demonstration would, after intake is complete, cost almost \$20 million in extra DI benefits a year. It would also lead to slightly higher Medicare costs, since the induced filers would qualify for Medicare after two years on the DI rolls. Finally, CBO assumes that running the demonstrations and collecting and analyzing data would be handled by an expert contractor, at a cost of several million dollars a year. In sum, the \$1-for-\$2 demonstration projects mandated by the bill are estimated to cost \$190 million over the 2001–2008 period.

Extended Medicare Coverage (Section 3). As noted before, DI recipients who give up their cash benefits because of earnings can continue to get Medicare for 3 years. H.R. 3433 proposes to lengthen that period to 5 years. The extended coverage would only be available to beneficiaries who had registered a ticket with a VR provider. Furthermore, the coverage would expire 7 years after enactment (that is, in September 2005, under CBO's assumption).

Since CBO assumes that the first batch of VR clients under the new tickets program would be suspended in 2002, their 3-year period of extended Medicare eligibility under current law would expire in 2005. Therefore, the proposed extension would expire before it would have significant costs. CBO assumes costs of just \$1 million in 2005.

Other Provisions. The other provisions of H.R. 3433 are mostly technical corrections and clarifications to the Social Security Act. Those technical corrections have passed the House twice previously, in September 1996 (H.R. 4039) and April 1997 (H.R. 1048). As pointed out in previous CBO estimates, most do not have budgetary implications. Three sections do have budgetary effects.

Demonstration Project Authority (Section 5). SSA has the authority to conduct certain research and demonstration projects that occasionally require waivers of provisions of Title II of the Social Security Act. That waiver authority expired on June 10, 1996. This bill would extend it until June 10, 2001. This extension would be the fifth since the waiver authority was enacted in 1980. This general waiver authority should not be confused with the so-called \$1-for-\$2 demonstrations that would be required by Section 2 of this bill; those demonstrations are costlier and longer-lasting than the modest projects that SSA would likely conduct on its own.

When the waiver authority has been in effect, SSA has generally spent between \$2 million and \$4 million annually on the affected projects. Because the proposed extension would be for 3 years, CBO judges that it would lead to outlays of \$15 million, chiefly in fiscal years 2000 and 2001.

Provisions Affecting Prisoners (Section 7). H.R. 3433 would also strengthen restrictions on the payment of Social Security benefits to prisoners. Current law sets strict limits on the payment of SSI benefits to incarcerated people and somewhat milder limits on payments of OASDI. SSI recipients who are in prison for a full month—regardless of whether they are convicted—are to have their

benefits suspended while they are incarcerated. OASDI recipients who have been convicted of an offense carrying a maximum sentence of 1 year or more are to have their benefits suspended. Those who are convicted of lesser crimes, and those who are in jail awaiting trial, may still collect OASDI benefits. Those provisions are enforced chiefly by an exchange of computerized data between the Social Security Administration and the Federal Bureau of Prisons, state prisons, and some county jails. Those agreements are voluntarily and, until recently, involved no payments to the institutions.

The Personal Responsibility and Work Opportunity Reconciliation Act of 1996 changed that arrangement by directing SSA to pay institutions for reporting information that led to the identification of ineligible SSI recipients. The payment is \$400 if the institution reports information within 30 days of confinement and \$200 if the report is made 30 to 90 days after confinement. The law also exempts matching agreements between SSA and correctional institutions from certain provisions of the Privacy Act.

This bill would establish analogous arrangements for the OASDI Program. It would also drop the requirement that OASDI benefits be suspended only if the maximum sentence for the offense is 1 year or more. (A conviction would still be required; inmates who are in jail while they await trial could continue to collect benefits.) CBO estimated the effects of this provision, like its predecessor in the welfare reform law, by analyzing data from several sources that suggest about 4 percent to 5 percent of prisoners were receiving Social Security, SSI benefits, or both before incarceration. Reports from SSA's Inspector General showed that some of those prisoners were overlooked under matching arrangements either because their institution had not signed an agreement, had not renewed it promptly, or did not submit data on schedule.

CBO estimates that, over the 1999–2003 period, the provision in H.R. 3433 would lead to payments of \$32 million to correctional institutions out of the OASDI trust funds and benefit savings of \$69 million, for a net saving of \$37 million. CBO also expects that the broader arrangement, by doubling the pool of potential payments, would encourage more correctional institutions to submit information accurately and promptly and would therefore lead to spillover savings in the SSI program amounting to nearly \$30 million over the 1999–2003 period.

Open Season for Clergy to Enroll in Social Security (Section 8). Under current law, ministers of a church are generally treated as self-employed individuals for the purpose of the Social Security payroll tax. However, ministers who are opposed to participating in the program on religious principles may reject coverage by filing with the Internal Revenue Service before the tax filing date for their second year of work in the ministry. H.R. 3433 would give those ministers a chance to revoke their exemptions. It would give them a two-year window—ending on the tax filing deadline for the second taxable year beginning after December 31, 1998—to exercise that option.

In 1977 and 1986, the clergy were offered a similar opportunity to opt back into Social Security. Based on that experience, CBO estimates that about 3,500 ministers would take advantage of the opportunity. CBO estimates that the clergy who elect coverage would

pay about \$3 million in Social Security (OASDI) taxes, which are off-budget, in 1999 and \$10 million a year thereafter. They would also pay Hospital Insurance (HI) taxes, which are on-budget, of about \$2 million a year. Finally, income tax revenues would drop slightly because, as self-employed individuals, ministers paying Social Security could deduct a portion of that tax when computing income tax.

Pay-as-you-go considerations: The Balanced Budget and Emergency Deficit Control Act of 1985 establishes pay-as-you-go procedures for legislation affecting direct spending or receipts. The projected changes in direct spending are shown in the table below for fiscal years 1999–2008. Only changes affecting on-budget outlays and receipts (that is, those in non-Social Security programs) affect the pay-as-you-go scorecard. For purposes of enforcing pay-as-you-go procedures, only the effects in the current year, budget year, and the succeeding four years are counted.

TABLE 3.—SUMMARY OF PAY-AS-YOU-GA EFFECTS OF H.R. 3433

	By fiscal years, in millions of dollars—									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Change in outlays .....	-1	-5	-6	-6	-6	-7	-9	-14	-22	-35
Change in receipts .....	( <sup>1</sup> )	1	1	1	1	1	1	1	1	1

<sup>1</sup> Less than \$500,000.

Note.—components may not sum to totals due to rounding.

Social Security outlays and receipts do not appear on the pay-as-you-go scorecard, but the House of Representatives tracks them separately. That tally includes effects only for the year in which the legislation takes effect and the four subsequent years; for H.R. 3433, the relevant years are 1998 through 2002. It also includes balances carried over from laws enacted in previous years, such as the Contract with America Advancement Act (Public Law 104–121) enacted in 1996. Under the rules of the House, the Social Security scorecard includes only tax receipts and benefit outlays of the Social Security trust funds. Therefore, outlays for purposes other than benefits—such as the payments to VR providers and to prison officials that would occur under H.R. 3433—do not appear on the scorecard.

TABLE 4.—CBO ESTIMATE OF CURRENT STATUS OF THE SOCIAL SECURITY SCORECARD IN THE HOUSE OF REPRESENTATIVES

	By fiscal years, in millions of dollars—				
	1998	1999	2000	2001	2002
Scorecard at state of 1998:					
OASDI taxes .....	146	80	.....	.....	.....
OASDI benefits .....	-77	-114	75	.....	.....
Net effect .....	223	194	-75	.....	.....
Ticket to Work and Self-Sufficiency Act of 1998 (H.R. 3433):					
OASDI taxes .....	.....	8	9	9	9
OASDI benefits .....	0	-3	-13	-11	-12
Net effect .....	0	11	22	20	21
Scorecard assuming enactment of H.R. 3433:					
OASDI taxes .....	146	88	9	9	9

TABLE 4.—CBO ESTIMATE OF CURRENT STATUS OF THE SOCIAL SECURITY SCORECARD IN THE HOUSE OF REPRESENTATIVES—Continued

	By fiscal years, in millions of dollars—				
	1998	1999	2000	2001	2002
OASDI benefits .....	-77	-117	62	-11	-12
Net effect .....	223	205	-53	20	21

Note.—Components may not sum to totals due to rounding.

Estimated impact on State, local, and tribal governments: H.R. 3433 contains no intergovernmental mandates as defined in UMRA and would impose no costs on state, local, or tribal governments. Although state VR agencies would lose their monopoly—or, technically, their “right of first refusal”—to serve SSA clients, the budgetary impact of this change would be minimal. In addition, state and local prisons would collect additional payments for providing certain computerized data to SSA that CBO estimates would total \$35 million over the 1999–2003 period.

Estimated impact on the private sector: H.R. 3433 contains no private-sector mandates as defined in UMRA.

Estimate prepared by: Federal cost: Kathy Ruffing. Impact on State, Local, and Tribal Governments: Marc Nicole. Impact on the Private Sector: Ralph Smith.

Estimate approved by: Paul N. Van de Water, Assistant Director for Budget Analysis.

## V. OTHER MATTERS REQUIRED TO BE DISCUSSED UNDER THE RULES OF THE HOUSE

### A. COMMITTEE OVERSIGHT FINDINGS AND RECOMMENDATIONS

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the Committee reports that the need for legislation was confirmed through its ongoing oversight of the Social Security Administration and the Social Security programs.

### B. SUMMARY OF FINDINGS AND RECOMMENDATIONS OF THE GOVERNMENT REFORM AND OVERSIGHT COMMITTEE

In compliance with clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, the Committee states that no oversight findings and recommendations have been submitted to this Committee by the Committee on Government Reform and Oversight with respect to the provisions contained in this bill.

### C. CONSTITUTIONAL AUTHORITY STATEMENT

With respect to clause 2(1)(4) of rule XI of the Rules of the House of Representatives, relating to Constitutional Authority, the Committee states that the Committee’s action in reporting the bill is derived from Article I of the Constitution, Section 8 (“The Congress shall have power to lay and collect taxes, duties, imposts and excises, to pay the debts and to provide for \* \* \* the general Welfare of the United States \* \* \*”).

## VI. APPLICABILITY OF FEDERAL ADVISORY COMMITTEE ACT

Pursuant to the Federal Advisory Committee Act (5 U.S.C., App., section 5(b)), the Committee states that any advisory bodies created by the bill, such as the Ticket to Work and Self-Sufficiency Advisory Panel are consciously created, and are deemed appropriate and necessary to carry out the purposes of the bill. It is the view of the Committee that the functions of any such advisory bodies are not being and could be performed by one or more agencies or by an advisory committee already in existence, or by enlarging the mandate of an existing advisory committee.

## VII. CHANGES IN EXISTING LAW MADE BY THE BILL AS REPORTED

In compliance with clause 3 of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

### SOCIAL SECURITY ACT

\* \* \* \* \*

#### TITLE II—FEDERAL OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE BENEFITS

##### FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND AND FEDERAL DISABILITY INSURANCE TRUST FUND

##### SEC. 201. (a) \* \* \*

\* \* \* \* \*

##### Mother's and Father's Insurance Benefits

(g)(1)(A) The Managing Trustee of the Trust Funds (which for purposes of this paragraph shall include also the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund established by title XVIII) is directed to pay from the Trust Funds into the Treasury—

(i) \* \* \*

(ii) the amounts estimated (pursuant to the applicable method prescribed under paragraph (4) of this subsection) by the Commissioner of Social Security which will be expended, out of moneys made available for expenditures from the Trust Funds, during such three-month period to cover the cost of carrying out the functions of the Social Security Administration, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1986 other than those referred to in clause (i) *and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons' representative payee.*

Such payments shall be carried into the Treasury as the net amount of repayments due the general fund account for reimbursement of expenses incurred in connection with the administration of titles II and XVIII of this Act and chapters 2 and 21 of the Internal Revenue Code of 1986. A final accounting of such payments for any fiscal year shall be made at the earliest practicable date after the close thereof. There are hereby authorized to be made available for expenditure, out of any or all of the Trust Funds, such amounts as the Congress may deem appropriate to pay the costs of the part of the administration of this title, title XVI, and title XVIII for which the Commissioner of Social Security is responsible, the costs of title XVIII for which the Secretary of Health and Human Services is responsible, and the costs of carrying out the functions of the Social Security Administration, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1986 other than those referred to in clause (i) of the first sentence of this subparagraph. Of the amounts authorized to be made available out of the Federal Old Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund under the preceding sentence, there are hereby authorized to be made available from either or both of such Trust Funds for continuing disability reviews—

- (i) for fiscal year 1996, \$260,000,000;
- (ii) for fiscal year 1997, \$360,000,000;
- (iii) for fiscal year 1998, \$570,000,000;
- (iv) for fiscal year 1999, \$720,000,000;
- (v) for fiscal year 2000, \$720,000,000;
- (vi) for fiscal year 2001, \$720,000,000; and
- (vii) for fiscal year 2002, \$720,000,000.

For purposes of this subparagraph, the term “continuing disability review” means a review conducted pursuant to section 221(i) and a review or disability eligibility redetermination conducted to determine the continuing disability and eligibility of a recipient of benefits under the supplemental security income program under title XVI, including any review or redetermination conducted pursuant to section 207 or 208 of the Social Security Independence and Program Improvements Act of 1994 (Public Law 103–296) *and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons’ representative payee.*

(B) After the close of each fiscal year—

- (i) the Commissioner of Social Security shall determine—
  - (I) the portion of the costs, incurred during such fiscal year, of administration of this title, title XVI, and title XVIII for which the Commissioner is responsible and of carrying out the functions of the Social Security Administration, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1986 (other than those referred to in clause (i) of the first sentence of [subparagraph (A)],] *subparagraph (A)) and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons*

*entitled to such benefits or such persons' representative payee, which should have been borne by the general fund of the Treasury,*

\* \* \* \* \*

(C) After the determinations under subparagraph (B) have been made for any fiscal year, the Commissioner of Social Security and the Secretary shall each certify to the Managing Trustee the amounts, if any, which should be transferred from one to any of the other such Trust Funds and the amounts, if any, which should be transferred between the Trust Funds (or one of the Trust Funds) and the general fund of the Treasury, in order to ensure that each of the Trust Funds and the general fund of the Treasury have borne their proper share of the costs, incurred during such fiscal year, for—

(i) \* \* \*

\* \* \* \* \*

(iii) carrying out the functions of the Social Security Administration, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1986 (other than those referred to in clause (i) of the first sentence of subparagraph (A)) *and the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons' representative payee.*

The Managing Trustee shall transfer any such amounts in accordance with any certification so made.

(D) The determinations required under subclauses (IV) and (V) of subparagraph (B)(i) shall be made in accordance with the cost allocation methodology in existence on the date of the enactment of the Social Security Independence and Program Improvements Act of 1994, until such time as the methodology for making the determinations required under such subclauses is revised by agreement of the Commissioner and the Secretary, except that the determination of the amounts to be borne by the general fund of the Treasury with respect to expenditures incurred in carrying out the functions of the Social Security Administration specified in section 232 *and the functions of the Social Security Administration in connection with the withholding of taxes from benefits as described in section 207(c)* shall be made pursuant to the applicable method prescribed under paragraph (4).

\* \* \* \* \*

(4) The Commissioner of Social Security shall utilize the method prescribed pursuant to this paragraph, as in effect immediately before the date of the enactment of the Social Security Independence and Program Improvements Act of 1994, for determining the costs which should be borne by the general fund of the Treasury of carrying out the functions of the Commissioner, specified in section 232, which relate to the administration of provisions of the Internal Revenue Code of 1986 (other than those referred to in clause (i) of the first sentence of paragraph (1)(A)). *The Board of Trustees of such Trust Funds shall prescribe the method of determining the*

*costs which should be borne by the general fund in the Treasury of carrying out the functions of the Social Security Administration in connection with the withholding of taxes from benefits, as described in section 207(c), pursuant to requests by persons entitled to such benefits or such persons' representative payee. If at any time or times thereafter the Boards of Trustees of such Trust Funds consider such action advisable, they may modify the method of determining such costs.*

\* \* \* \* \*

AGE AND SURVIVORS INSURANCE BENEFIT PAYMENTS

Old Age Insurance Benefits

SEC. 202. (a) \* \* \*

\* \* \* \* \*

Limitation on Payments to Prisoners and Certain Other Inmates of Publicly Funded Institutions

(x)(1)(A) Notwithstanding any other provision of this title, no monthly benefits shall be paid under this section or under section 223 to any individual for any month **【during】** *throughout* which such individual—

(i) is confined in a jail, prison, or other penal institution or correctional facility pursuant to his conviction of **【an offense punishable by imprisonment for more than 1 year (regardless of the actual sentence imposed) a criminal offense, 【or】**

(ii) is confined by court order in an institution at public expense in connection with—

(I) a verdict or finding that the individual is guilty but insane, with respect to **【an offense punishable by imprisonment for more than 1 year】** *a criminal offense,*

(II) a verdict or finding that the individual is not guilty of such an offense by reason of insanity,

(III) a finding that such individual is incompetent to stand trial under an allegation of such an offense, or

(IV) a similar verdict or finding with respect to such an offense based on similar factors (such as a mental disease, a mental defect, or mental incompetence)**【.】**, **【or】**

*(iii) immediately upon completion of confinement as described in clause (i) pursuant to conviction of a criminal offense an element of which is sexual activity, is confined by court order in an institution at public expense pursuant to a finding that the individual is a sexually dangerous person or a sexual predator or a similar finding.*

(B)(i) \* \* \*

(ii) For purposes of **【clause (ii)】** *clauses (ii) and (iii)* of subparagraph (A), an individual confined in an institution as described in such clause (ii) shall be treated as remaining so confined until—

(I) he or she is released from the care and supervision of such institution, and

(II) such institution ceases to meet the individual's basic living needs.

\* \* \* \* \*

(3)(A) Notwithstanding the provisions of section 552a of title 5, United States Code, or any other provision of Federal or State law, any agency of the United States Government or of any State (or political subdivision thereof) shall make available to the Commissioner of Social Security, upon written request, the name and social security account number of any individual who is confined as described in paragraph (1) if the confinement is under the jurisdiction of such agency and the Commissioner of Social Security requires such information to carry out the provisions of this section.

(B)(i) *The Commissioner shall enter into an agreement under this subparagraph with any interested State or local institution comprising a jail, prison, penal institution, or correctional facility, or comprising any other institution a purpose of which is to confine individuals as described in paragraph (1)(A)(ii). Under such agreement—*

*(I) the institution shall provide to the Commissioner, on a monthly basis and in a manner specified by the Commissioner, the names, social security account numbers, dates of birth, confinement commencement dates, and, to the extent available to the institution, such other identifying information concerning the individuals confined in the institution as the Commissioner may require for the purpose of carrying out paragraph (1); and*

*(II) the Commissioner shall pay to the institution, with respect to information described in subclause (I) concerning each individual who is confined therein as described in paragraph (1)(A), who receives a benefit under this title for the month preceding the first month of such confinement, and whose benefit under this title is determined by the Commissioner to be not payable by reason of confinement based on the information provided by the institution, \$400 (subject to reduction under clause (ii)) if the institution furnishes the information to the Commissioner within 30 days after the date such individual's confinement in such institution begins, or \$200 (subject to reduction under clause (ii)) if the institution furnishes the information after 30 days after such date but within 90 days after such date.*

*(ii) The dollar amounts specified in clause (i)(II) shall be reduced by 50 percent if the Commissioner is also required to make a payment to the institution with respect to the same individual under an agreement entered into under section 1611(e)(1)(I).*

*(iii) The provisions of section 552a of title 5, United States Code, shall not apply to any agreement entered into under clause (i) or to information exchanged pursuant to such agreement.*

*(iv) There is authorized to be transferred from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund, as appropriate, such sums as may be necessary to enable the Commissioner to make payments to institutions required by clause (i)(II). Sums so transferred shall be treated as direct spending for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985 and excluded from budget totals in accordance with section 13301 of the Budget Enforcement Act of 1990.*

*(v) The Commissioner is authorized to provide, on a reimbursable basis, information obtained pursuant to agreements entered into under clause (i) to any agency administering a Federal or federally-assisted cash, food, or medical assistance program for eligibility purposes.*

\* \* \* \* \*

ASSIGNMENT

SEC. 207. (a) \* \* \*

\* \* \* \* \*

*(c) Nothing in this section shall be construed to prohibit withholding taxes from any benefit under this title, if such withholding is done pursuant to a request made in accordance with section 3402(p)(1) of the Internal Revenue Code of 1986 by the person entitled to such benefit or such person's representative payee.*

\* \* \* \* \*

DISABILITY DETERMINATIONS

SEC. 221. (a) \* \* \*

\* \* \* \* \*

(c)(1) \* \* \*

\* \* \* \* \*

*(4) For suspension of reviews under this subsection in the case of an individual using a ticket to work and self-sufficiency, see section 1147(i).*

REHABILITATION SERVICES

【Referral for Rehabilitation Services

SEC. 222. 【(a) It is hereby declared to be the policy of the Congress that disabled individuals applying for a determination of disability, and disabled individuals who are entitled to child's insurance benefits, widow's insurance benefits, or widower's insurance benefits, shall be promptly referred to the State agency or agencies administering or supervising the administration of the State plan approved under title I of the Rehabilitation Act of 1973 for necessary vocational rehabilitation services, to the end that the maximum number of such individuals may be rehabilitated into productive activity.

【Deductions on Account of Refusal To Accept Rehabilitation Services

【(b)(1) Deductions, in such amounts and at such time or times as the Commissioner of Social Security shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under sections 202 and 223 for any month in which such individual, if a child who has attained the age of eighteen and is entitled to child's insurance benefits, a widow, widower, surviving divorced wife, or surviving divorced husband who has not attained age 60, or an individual entitled to disability

insurance benefits, refuses without good cause to accept rehabilitation services available to him under a State plan approved under title I of the Rehabilitation Act of 1973. Any individual who is a member or adherent of any recognized church or religious sect which teaches its members or adherents to rely solely, in the treatment and cure of any physical or mental impairment, upon prayer or spiritual means through the application and use of the tenets or teachings of such church or sect, and who, solely because of his adherence to the teachings or tenets of such church, or sect, refuses to accept rehabilitation services available to him under a State plan approved under title I of the Rehabilitation Act of 1973, shall, for the purposes of the first sentence of this subsection, be deemed to have done so with good cause.

[(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled or from any mother's or father's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or such mother's or father's insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's or father's insurance benefits is married to an individual who is entitled to disability insurance benefits and in which such individual refuses to accept rehabilitation services and a deduction, on account of such refusal, is imposed under paragraph (1). If both this paragraph and paragraph (3) are applicable to a child's insurance benefit for any month, only an amount equal to such benefit shall be deducted.]

[(3) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to disability insurance benefits, to which a wife, divorced wife, husband, divorced husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which the individual, on the basis of whose wages and self-employment income such benefit was payable, refuses to accept rehabilitation services and deductions, on account of such refusal, are imposed under paragraph (1).]

[(4) The provisions of paragraph (1) shall not apply to any child entitled to benefits under section 202(d), if he has attained the age of 18 but has not attained the age of 22, for any month during which he is a full-time elementary or secondary school student (as defined and determined under section 202(d)).]

\* \* \* \* \*

#### ADDITIONAL RULES RELATING TO BENEFITS BASED ON DISABILITY

##### Suspension of Benefits

SEC. 225. (a) \* \* \*

##### Continued Payments During Rehabilitation Program

(b) Notwithstanding any other provision of this title, payment to an individual of benefits based on disability (as described in the first sentence of subsection (a)) shall not be terminated or suspended because the physical or mental impairment, on which the

individual's entitlement to such benefits is based, has or may have ceased, if—

(1) such individual is participating in [a program of vocational rehabilitation services] *a program consisting of the Ticket to Work and Self-Sufficiency Program under section 1147 or another program of vocational rehabilitation services, employment services, or other support services approved by the Commissioner of Social Security, and*

\* \* \* \* \*

ENTITLEMENT TO HOSPITAL INSURANCE BENEFITS

SEC. 226. (a) \* \* \*

(b) Every individual who—

(1) \* \* \*

\* \* \* \* \*

shall be entitled to hospital insurance benefits under part A of title XVIII for each month beginning with the later of (I) July 1973 or (II) the twenty-fifth month of his entitlement or status as a qualified railroad retirement beneficiary described in paragraph (2), and ending (subject to the last sentence of this subsection) with the month following the month in which notice of termination of such entitlement to benefits or status as a qualified railroad retirement beneficiary described in paragraph (2) is mailed to him, or if earlier, with the month before the month in which he attains age 65. In applying the previous sentence in the case of an individual described in paragraph (2)(C), the "twenty-fifth month of his entitlement" refers to the first month after the twenty-fourth month of entitlement to specified benefits referred to in paragraph (2)(C) and "notice of termination of such entitlement" refers to a notice that the individual would no longer be determined to be entitled to such specified benefits under the conditions described in that paragraph. For purposes of this subsection, an individual who has had a period of trial work which ended as provided in section 222(c)(4)(A), and whose entitlement to benefits or status as a qualified railroad retirement beneficiary as described in paragraph (2) has subsequently terminated, shall be deemed to be entitled to such benefits or to occupy such status (notwithstanding the termination of such entitlement or status) for the period of consecutive months [throughout all of which] *throughout the first 24 months of which the physical or mental impairment, on which such entitlement or status was based, continues, and throughout all of which such individual would have been entitled to monthly insurance benefits under title II or as a qualified railroad retirement beneficiary had such individual been unable to engage in substantial gainful activity, but not in excess of 24 such months (plus 24 additional such months in the case of an individual who the Commissioner determines is using a ticket to work and self-sufficiency issued under section 1147, but only for additional months that occur in the 7-year period beginning on the date of the enactment of the Ticket to Work and Self-Sufficiency Act of 1998).* In determining when an individual's entitlement or status terminates for purposes of the preceding sentence, the term "36 months" in the second sentence of section 223(a)(1), in section 202(d)(1)(G)(i), in the last sentence of section

202(e)(1), and in the last sentence of section 202(f)(1) shall be applied as though it read "15 months".

\* \* \* \* \*

TITLE XI—GENERAL PROVISIONS, PEER REVIEW, AND ADMINISTRATIVE SIMPLIFICATION

\* \* \* \* \*

PART A—GENERAL PROVISIONS

\* \* \* \* \*

COOPERATIVE RESEARCH OR DEMONSTRATION PROJECTS

SEC. 1110. (a)(1) \* \* \*

\* \* \* \* \*

(3) Grants and payments under contracts or cooperative arrangements under paragraph (1) may be made either in advance or by way of reimbursement, as may be determined by the Secretary (or the Commissioner, with respect to any jointly financed cooperative agreement or grant concerning title *II* or *XVI*); and shall be made in such installments and on such conditions as the Secretary (or the Commissioner, as applicable) finds necessary to carry out the purposes of this subsection.

\* \* \* \* \*

THE TICKET TO WORK AND SELF-SUFFICIENCY PROGRAM

SEC. 1147. (a) *IN GENERAL.*—The Commissioner of Social Security shall establish a Ticket to Work and Self-Sufficiency Program, under which a disabled beneficiary may use a ticket to work and self-sufficiency issued by the Commissioner in accordance with this section to obtain employment services, vocational rehabilitation services, or other support services from an employment network which is of the beneficiary's choice and which is willing to provide such services to such beneficiary.

(b) *TICKET SYSTEM.*—

(1) *DISTRIBUTION OF TICKETS.*—The Commissioner of Social Security may issue a ticket to work and self-sufficiency to disabled beneficiaries for participation in the Program.

(2) *ASSIGNMENT OF TICKETS.*—A disabled beneficiary holding a ticket to work and self-sufficiency may assign the ticket to any employment network of the beneficiary's choice which is serving under the Program and is willing to accept the assignment.

(3) *TICKET TERMS.*—A ticket issued under paragraph (1) shall consist of a document which evidences the Commissioner's agreement to pay (as provided in paragraph (4)) an employment network, which is serving under the Program and to which such ticket is assigned by the beneficiary, for such employment services, vocational rehabilitation services, and other support services as the employment network may provide to the beneficiary.

(4) *PAYMENTS TO EMPLOYMENT NETWORKS.*—The Commissioner shall pay an employment network under the Program in

accordance with the outcome payment system under subsection (h)(2) or under the outcome-milestone payment system under subsection (h)(3) (whichever is elected pursuant to subsection (h)(1)). An employment network may not request or receive compensation for such services from the beneficiary.

(c) STATE PARTICIPATION.—

(1) PERIODIC ELECTIONS.—Each State agency administering or supervising the administration of the State plan approved under title I of the Rehabilitation Act of 1973 may elect to participate in the Program (or to revoke any such election) as an employment network. The Commissioner shall provide for periodic opportunities for exercising such elections (and revocations).

(2) TREATMENT OF STATE AGENCIES.—Any such election (or revocation) by a State agency described in paragraph (1) taking effect during any period for which an individual residing in the State is a disabled beneficiary and a client of the State agency shall not be effective with respect to such individual to the extent that such election (or revocation) would result in any change in the method of payment to the State agency with respect to the individual from the method of payment to the State agency with respect to the individual in effect immediately before such election (or revocation).

(3) EFFECT OF PARTICIPATION BY STATE AGENCY.—

(A) STATE AGENCIES PARTICIPATING.—In any case in which a State agency described in paragraph (1) elects under paragraph (1) to participate in the Program—

(i) the employment services, vocational rehabilitation services, and other support services which, upon assignment of tickets to work and self-sufficiency, are provided to disabled beneficiaries by the State agency acting as an employment network shall be governed by plans for vocational rehabilitation services approved under title I of the Rehabilitation Act of 1973, and

(ii) the provisions of section 222(d) and the provisions of subsections (d) and (e) of section 1615 shall not apply with respect to such State.

(B) STATE AGENCIES ADMINISTERING MATERNAL AND CHILD HEALTH SERVICES PROGRAMS.—Subparagraph (A) shall not apply with respect to any State agency administering a program under title V of this Act.

(4) SPECIAL REQUIREMENTS APPLICABLE TO CROSS-REFERRAL TO CERTAIN STATE AGENCIES.—

(A) IN GENERAL.—In any case in which an employment network has been assigned a ticket to work and self-sufficiency by a disabled beneficiary, no State agency shall be deemed required, under this section, title I of the Rehabilitation Act of 1973, or a State plan approved under such title, to accept any referral of such disabled beneficiary from such employment network unless such employment network and such State agency have entered into a written agreement that meets the requirements of subparagraph (B).

(B) *TERMS OF AGREEMENT.*—An agreement required by subparagraph (A) shall specify, in accordance with regulations prescribed pursuant to subparagraph (C)—

(i) the extent (if any) to which the employment network holding the ticket will provide to the State agency—

(I) reimbursement for costs incurred in providing services described in subparagraph (A) to the disabled beneficiary, and

(II) other amounts from payments made by the Commissioner to the employment network pursuant to subsection (h), and

(ii) any other conditions that may be required by such regulations.

(C) *REGULATIONS.*—The Commissioner of Social Security and the Secretary of Education shall jointly prescribe regulations specifying the terms of agreements required by subparagraph (A) and otherwise necessary to carry out the provisions of this paragraph.

(D) *PENALTY.*—No payment may be made to an employment network pursuant to subsection (h) in connection with services provided to any disabled beneficiary if such employment network makes referrals described in subparagraph (A) in violation of the terms of the contract required under subparagraph (A) or without having entered into such a contract.

(d) *RESPONSIBILITIES OF THE COMMISSIONER OF SOCIAL SECURITY.*—

(1) *SELECTION AND QUALIFICATIONS OF PROGRAM MANAGERS.*—The Commissioner of Social Security shall enter into agreements with one or more organizations in the private or public sector for service as a program manager to assist the Commissioner in administering the Program. Any such program manager shall be selected by means of a competitive bidding process, from among organizations in the private or public sector with available expertise and experience in the field of vocational rehabilitation or employment services.

(2) *TENURE, RENEWAL, AND EARLY TERMINATION.*—Each agreement entered into under paragraph (1) shall provide for early termination upon failure to meet performance standards which shall be specified in the agreement and which shall be weighted to take into account any performance in prior terms. Such performance standards shall include (but are not limited to)—

(A) measures for ease of access by beneficiaries to services, and

(B) measures for determining the extent to which failures in obtaining services for beneficiaries fall within acceptable parameters, as determined by the Commissioner.

(3) *PRECLUSION FROM DIRECT PARTICIPATION IN DELIVERY OF SERVICES IN OWN SERVICE AREA.*—Agreements under paragraph (1) shall preclude—

(A) direct participation by a program manager in the delivery of employment services, vocational rehabilitation

services, or other support services to beneficiaries in the service area covered by the program manager's agreement, and

(B) the holding by a program manager of a financial interest in an employment network or service provider which provides services in a geographic area covered under the program manager's agreement.

(4) *SELECTION OF EMPLOYMENT NETWORKS.*—The Commissioner shall select and enter into agreements with employment networks for service under the Program. Such employment networks shall be in addition to State agencies serving as employment networks pursuant to elections under subsection (c).

(5) *TERMINATION OF AGREEMENTS WITH EMPLOYMENT NETWORKS.*—The Commissioner shall terminate agreements with employment networks for inadequate performance, as determined by the Commissioner.

(6) *QUALITY ASSURANCE.*—The Commissioner shall provide for such periodic reviews as are necessary to provide for effective quality assurance in the provision of services by employment networks. The Commissioner shall take into account the views of consumers and the program manager under which the employment networks serve and shall consult with providers of services to develop performance measurements. The Commissioner shall ensure that the results of the periodic reviews are made available to beneficiaries who are prospective service recipients as they select employment networks. The Commissioner shall ensure the performance of periodic surveys of beneficiaries receiving services under the Program designed to measure customer service satisfaction.

(7) *DISPUTE RESOLUTION.*—The Commissioner shall provide for a mechanism for resolving disputes between beneficiaries and employment networks and between program managers and employment networks. The Commissioner shall afford a party to such a dispute a reasonable opportunity for a full and fair review of the matter in dispute.

(e) *PROGRAM MANAGERS.*—

(1) *IN GENERAL.*—A program manager shall conduct tasks appropriate to assist the Commissioner in carrying out the Commissioner's duties in administering the Program.

(2) *RECRUITMENT OF EMPLOYMENT NETWORKS.*—A program manager shall recruit, and recommend for selection by the Commissioner, employment networks for service under the Program. The program manager shall carry out such recruitment and provide such recommendations, and shall monitor all employment networks serving in the Program in the geographic area covered under the program manager's agreement, to the extent necessary and appropriate to ensure that adequate choices of services are made available to beneficiaries. Employment networks may serve under the Program only pursuant to an agreement entered into with the Commissioner under the Program incorporating the applicable provisions of this section and regulations thereunder, and the program manager shall provide and maintain assurances to the Commissioner that payment by the Commissioner to employment networks pursuant to this sec-

tion is warranted based on compliance by such employment networks with the terms of such agreement and this section. The program manager shall not impose numerical limits on the number of employment networks to be recommended pursuant to this paragraph.

(3) *FACILITATION OF ACCESS BY BENEFICIARIES TO EMPLOYMENT NETWORKS.*—A program manager shall facilitate access by beneficiaries to employment networks. The program manager shall ensure that each beneficiary is allowed changes in employment networks for good cause, as determined by the Commissioner, without being deemed to have rejected services under the Program. The program manager shall establish and maintain lists of employment networks available to beneficiaries and shall make such lists generally available to the public. The program manager shall ensure that all information provided to disabled beneficiaries pursuant to this paragraph is provided in accessible format.

(4) *ENSURING AVAILABILITY OF ADEQUATE SERVICES.*—The program manager shall ensure that employment services, vocational rehabilitation services, and other support services are provided to beneficiaries throughout the geographic area covered under the program manager's agreement, including rural areas.

(5) *REASONABLE ACCESS TO SERVICES.*—The program manager shall take such measures as are necessary to ensure that sufficient employment networks are available and that each beneficiary receiving services under the Program has reasonable access to employment services, vocational rehabilitation services, and other support services. Such services may include case management, benefits counseling, supported employment, career planning, career plan development, vocational assessment, job training, placement, follow-up services, and such other services as may be specified by the Commissioner under the Program. The program manager shall ensure that such services are coordinated.

(f) *EMPLOYMENT NETWORKS.*—

(1) *QUALIFICATIONS FOR EMPLOYMENT NETWORKS.*—Each employment network serving under the Program shall consist of an agency or instrumentality of a State (or a political subdivision thereof) or a private entity, which assumes responsibility for the coordination and delivery of services under the Program to individuals assigning to the employment network tickets to work and self-sufficiency issued under subsection (b). No employment network may serve under the Program unless it demonstrates to the Commissioner substantial expertise and experience in the field of employment services, vocational rehabilitation services, or other support services for individuals with disabilities and provides an array of such services. An employment network shall consist of either a single provider of such services or of an association of such providers organized so as to combine their resources into a single entity. An employment network may meet the requirements of subsection (e)(4) by providing services directly, or by entering into agreements with other indi-

viduals or entities providing appropriate employment services, vocational rehabilitation services, or other support services.

(2) *REQUIREMENTS RELATING TO PROVISION OF SERVICES.*—Each employment network serving under the Program shall be required under the terms of its agreement with the Commissioner to—

(A) serve prescribed service areas,

(B) meet, and maintain compliance with, both general selection criteria (such as professional and governmental certification and educational credentials) and specific selection criteria (such as the extent of work experience by the provider with specific populations), and

(C) take such measures as are necessary to ensure that employment services, vocational rehabilitation services, and other support services provided under the Program by, or under agreements entered into with, the employment network are provided under appropriate individual work plans meeting the requirements of subsection (g).

(3) *ANNUAL FINANCIAL REPORTING.*—Each employment network shall meet financial reporting requirements as prescribed by the Commissioner.

(4) *PERIODIC OUTCOMES REPORTING.*—Each employment network shall prepare periodic reports, on at least an annual basis, itemizing for the covered period specific outcomes achieved with respect to specific services provided by the employment network. Such reports shall conform to a national model prescribed under this section. Each employment network shall provide a copy of the latest report issued by the employment network pursuant to this paragraph to each beneficiary upon enrollment under the Program for services to be received through such employment network. Upon issuance of each report to each beneficiary, a copy of the report shall be maintained in the files of the employment network pertaining to the beneficiary. The program manager shall ensure that copies of all such reports issued under this paragraph are made available to the public under reasonable terms.

(g) *INDIVIDUAL WORK PLANS.*—

(1) *IN GENERAL.*—Each employment network shall—

(A) take such measures as are necessary to ensure that employment services, vocational rehabilitation services, and other support services provided under the Program by, or under agreements entered into with, the employment network are provided under appropriate individual work plans as defined by the Commissioner, and

(B) develop and implement each such individual work plan, in the case of each beneficiary receiving such services, in a manner that affords such beneficiary the opportunity to exercise informed choice in selecting an employment goal and specific services needed to achieve that employment goal.

A beneficiary's individual work plan shall take effect upon approval by the beneficiary.

(2) *VOCATIONAL EVALUATION.*—In devising the work plan, the employment network shall undertake a vocational evaluation

*with respect to the beneficiary. Each vocational evaluation shall set forth in writing such elements and shall be in such format as the Commissioner shall prescribe. The Commissioner may provide for waiver by the beneficiary of such a vocational evaluation, subject to regulations which shall be prescribed by the Commissioner providing for the permissible timing of, and the circumstances permitting, such a waiver.*

*(h) EMPLOYMENT NETWORK PAYMENT SYSTEMS.—*

*(1) ELECTION OF PAYMENT SYSTEM BY EMPLOYMENT NETWORKS.—*

*(A) IN GENERAL.—The Program shall provide for payment authorized by the Commissioner to employment networks under either an outcome payment system or an outcome-milestone payment system. Each employment network shall elect which payment system will be utilized by the employment network, and, for such period of time as such election remains in effect, the payment system so elected shall be utilized exclusively in connection with such employment network (except as provided in subparagraph (B)).*

*(B) METHOD OF PAYMENT TO EMPLOYMENT NETWORKS.—Any such election by an employment network taking effect during any period for which a disabled beneficiary is receiving services from such employment network shall not be effective with respect to such beneficiary to the extent that such election would result in any change in the method of payment to the employment network with respect to services provided to such beneficiary from the method of payment to the employment network with respect to services provided to such beneficiary as of immediately before such election.*

*(2) OUTCOME PAYMENT SYSTEM.—*

*(A) IN GENERAL.—The outcome payment system shall consist of a payment structure governing employment networks electing such system under paragraph (1)(A) which meets the requirements of this paragraph.*

*(B) PAYMENTS MADE DURING OUTCOME PAYMENT PERIOD.—The outcome payment system shall provide for a schedule of payments to an employment network, in connection with each individual who is a beneficiary, for each month, during the individual's outcome payment period, for which benefits (described in paragraphs (2) and (3) of subsection (k)) are not payable to such individual.*

*(C) COMPUTATION OF PAYMENTS TO EMPLOYMENT NETWORK.—The payment schedule of the outcome payment system shall be designed so that—*

*(i) the payment for each of the 60 months during the outcome payment period for which benefits (described in paragraphs (2) and (3) of subsection (k)) are not payable is equal to a fixed percentage of the payment calculation base for the calendar year in which such month occurs, and*

*(ii) such fixed percentage is set at a percentage which does not exceed 40 percent.*

*(3) OUTCOME-MILESTONE PAYMENT SYSTEM.—*

(A) *IN GENERAL.*—The outcome-milestone payment system shall consist of a payment structure governing employment networks electing such system under paragraph (1)(A) which meets the requirements of this paragraph.

(B) *EARLY PAYMENTS UPON ATTAINMENT OF MILESTONES IN ADVANCE OF OUTCOME PAYMENT PERIODS.*—The outcome-milestone payment system shall provide for one or more milestones, with respect to beneficiaries receiving services from an employment network under the Program, which are directed toward the goal of permanent employment. Such milestones shall form a part of a payment structure which provides, in addition to payments made during outcome payment periods, payments made prior to outcome payment periods in amounts based on the attainment of such milestones.

(C) *LIMITATION ON TOTAL PAYMENTS TO EMPLOYMENT NETWORK.*—The payment schedule of the outcome milestone payment system shall be designed so that the total of the payments to the employment network with respect to each beneficiary is less than, on a net present value basis (using an interest rate determined by the Commissioner that appropriately reflects the cost of funds faced by providers), the total amount to which payments to the employment network with respect to the beneficiary would be limited if the employment network were paid under the outcome payment system.

(4) *DEFINITIONS.*—For purposes of this subsection—

(A) *PAYMENT CALCULATION BASE.*—The term “payment calculation base” means, for any calendar year—

(i) in connection with a title II disability beneficiary, the average disability insurance benefit payable under section 223 for all beneficiaries for months during the preceding calendar year, and

(ii) in connection with a title XVI disability beneficiary (who is not concurrently a title II disability beneficiary), the average payment of supplemental security income benefits based on disability payable under title XVI (excluding State supplementation) for months during the preceding calendar year to all beneficiaries who have attained at least 18 years of age.

(B) *OUTCOME PAYMENT PERIOD.*—The term “outcome payment period” means, in connection with any individual who had assigned a ticket to work and self-sufficiency to an employment network under the Program, a period—

(i) beginning with the first month, ending after the date on which such ticket was assigned to the employment network, for which benefits (described in paragraphs (2) and (3) of subsection (k)) are not payable to such individual by reason of engagement in work activity, and

(ii) ending with the 60th month (consecutive or otherwise), ending after such date, for which such benefits are not payable to such individual by reason of engagement in work activity.

(5) PERIODIC REVIEW AND ALTERATIONS OF PRESCRIBED SCHEDULES.—

(A) PERCENTAGES AND PERIODS.—*The Commissioner of Social Security shall periodically review the percentage specified in paragraph (2)(C), the total payments permissible under paragraph (3)(C), and the period of time specified in paragraph (4)(B) to determine whether such percentages, such permissible payments, and such period provide an adequate incentive for employment networks to assist beneficiaries to enter the workforce, while providing for appropriate economies. The Commissioner may alter such percentage, such total permissible payments, or such period of time to the extent that the Commissioner determines, on the basis of the Commissioner's review under this paragraph, that such an alteration would better provide the incentive and economies described in the preceding sentence.*

(B) NUMBER AND AMOUNT OF MILESTONE PAYMENTS.—*The Commissioner shall periodically review the number and amounts of milestone payments established by the Commissioner pursuant to this section to determine whether they provide an adequate incentive for employment networks to assist beneficiaries to enter the workforce, taking into account information provided to the Commissioner by program managers, the Ticket to Work and Self-Sufficiency Advisory Panel, and other reliable sources. The Commissioner may from time to time alter the number and amounts of milestone payments initially established by the Commissioner pursuant to this section to the extent that the Commissioner determines that such an alteration would allow an adequate incentive for employment networks to assist beneficiaries to enter the workforce. Such alteration shall be based on information provided to the Commissioner by program managers, the Ticket to Work and Self-Sufficiency Advisory Panel, or other reliable sources.*

(i) SUSPENSION OF DISABILITY REVIEWS.—*During any period for which an individual is using a ticket to work and self-sufficiency issued under this section, the Commissioner (and any applicable State agency) may not initiate a continuing disability review or other review under section 221 of whether the individual is or is not under a disability or a review under title XVI similar to any such review under section 221.*

(j) AUTHORIZATIONS.—

(1) TITLE II DISABILITY BENEFICIARIES.—*There are authorized to be transferred from the Federal Old-Age and Survivors Insurance Trust Fund and the Federal Disability Insurance Trust Fund each fiscal year such sums as may be necessary to carry out the provisions of this section with respect to title II disability beneficiaries. Money paid from the Trust Funds under this section with respect to title II disability beneficiaries who are entitled to benefits under section 223 or who are entitled to benefits under section 202(d) on the basis of the wages and self-employment income of such beneficiaries, shall be charged to the Federal Disability Insurance Trust Fund, and all other money paid from the Trust Funds under this section shall be charged*

to the Federal Old-Age and Survivors Insurance Trust Fund. The Commissioner of Social Security shall determine according to such methods and procedures as shall be prescribed under this section—

(A) the total amount to be paid to program managers and employment networks under this section, and

(B) subject to the provisions of the preceding sentence, the amount which should be charged to each of the Trust Funds.

(2) *TITLE XVI DISABILITY BENEFICIARIES.*—Amounts authorized to be appropriated to the Social Security Administration under section 1601 (as in effect pursuant to the amendments made by section 301 of the Social Security Amendments of 1972) shall include amounts necessary to carry out the provisions of this section with respect to title XVI disability beneficiaries.

(k) *DEFINITIONS.*—For purposes of this section—

(1) *DISABLED BENEFICIARY.*—The term “disabled beneficiary” means a title II disability beneficiary or a title XVI disability beneficiary.

(2) *TITLE II DISABILITY BENEFICIARY.*—The term “title II disability beneficiary” means an individual entitled to disability insurance benefits under section 223 or to monthly insurance benefits under section 202 based on such individual’s disability (as defined in section 223(d)). An individual is a title II disability beneficiary for each month for which such individual is entitled to such benefits.

(3) *TITLE XVI DISABILITY BENEFICIARY.*—The term “title XVI disability beneficiary” means an individual eligible for supplemental security income benefits under title XVI on the basis of blindness (within the meaning of section 1614(a)(2)) or disability (within the meaning of section 1614(a)(3)). An individual is a title XVI disability beneficiary for each month for which such individual is eligible for such benefits.

(4) *SUPPLEMENTAL SECURITY INCOME BENEFIT.*—The term “supplemental security income benefit under title XVI” means a cash benefit under section 1611 or 1619(a), and does not include a State supplementary payment, administered federally or otherwise.

(l) *REGULATIONS.*—The Commissioner of Social Security shall prescribe such regulations as are necessary to carry out the provisions of this section.

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**TITLE XVI—SUPPLEMENTAL SECURITY INCOME FOR THE AGED, BLIND, AND DISABLED**

\* \* \* \* \*

PART A—DETERMINATION OF BENEFITS  
ELIGIBILITY FOR AND AMOUNT OF BENEFITS

Definition of Eligible Individual

SEC. 1611. (a) \* \* \*

\* \* \* \* \*

(e)(1)(A) Except as provided in subparagraphs (B), (C), (D), (E), and (G), no person shall be an eligible individual or eligible spouse for purposes of this title with respect to any month if throughout such month he is an inmate of a public institution.

\* \* \* \* \*

(I)(i) The Commissioner shall enter into an agreement, with any interested State or local [institution described in clause (i) or (ii) of section 202(x)(1)(A) the primary purpose of which is to confine individuals as described in section 202(x)(1)(A),] *institution comprising a jail, prison, penal institution, or correctional facility, or with any other interested State or local institution a purpose of which is to confine individuals as described in section 202(x)(1)(A)(ii)*, under which—

(I) the institution shall provide to the Commissioner, on a monthly basis and in a manner specified by the Commissioner, the names, social security account numbers, dates of birth, confinement commencement dates, and, to the extent available to the institution, such other identifying information concerning the inmates of the institution as the Commissioner may require for the purpose of carrying out this paragraph; and

(II) the Commissioner shall pay to any such institution, with respect to each individual who receives in the month preceding the first month throughout which such individual is an inmate of the jail, prison, penal institution, or correctional facility that furnishes information respecting such individual pursuant to subclause (I), or is confined in the institution (that so furnishes such information) as described in section 202(x)(1)(A)(ii), a benefit under this title for such preceding month, and who is determined by the Commissioner to be ineligible for benefits under this title by reason of confinement based on the information provided by such institution, \$400 (*subject to reduction under clause (ii)*) if the institution furnishes the information described in subclause (I) to the Commissioner within 30 days after the date such individual becomes an inmate of such institution, or \$200 (*subject to reduction under clause (ii)*) if the institution furnishes such information after 30 days after such date but within 90 days after such date.

(ii) *The dollar amounts specified in clause (i)(II) shall be reduced by 50 percent if the Commissioner is also required to make a payment to the institution with respect to the same individual under an agreement entered into under section 202(x)(3)(B).*

[(ii)] (iii)(I) The provisions of section 552a of title 5, United States Code, shall not apply to any agreement entered into under clause (i) or to information exchanged pursuant to such agreement.

(II) The Commissioner is authorized to provide, on a reimbursable basis, information obtained pursuant to agreements entered into under clause (i) to any Federal or federally-assisted cash, food, or medical assistance program for eligibility purposes.

[(iii)] (iv) Payments to institutions required by clause (i)(II) shall be made from funds otherwise available for the payment of benefits under this title and shall be treated as direct spending for purposes of the Balanced Budget and Emergency Deficit Control Act of 1985.

\* \* \* \* \*

REHABILITATION SERVICES FOR BLIND AND DISABLED INDIVIDUALS

[SEC. 1615. (a) In the case of any blind or disabled individual who—

[(1) has not attained age 65, and

[(2) is receiving benefits (or with respect to whom benefits are paid) under this title,

the Commissioner of Social Security shall make provision for referral of such individual to the appropriate State agency administering the State plan for vocational rehabilitation services approved under title I of the Rehabilitation Act of 1973, or, in the case of any such individual who has not attained age 16, to the State agency administering the State program under title V, and (except for individuals who have not attained age 16 and except in such other cases as the Commissioner may determine) for a review not less often than quarterly of such individual's blindness or disability and his need for and utilization of the services made available to him under such plan.]

*SEC. 1615. (a) In the case of any blind or disabled individual who—*

*(1) has not attained age 16, and*

*(2) with respect to whom benefits are paid under this title,*

*the Commissioner of Social Security shall make provision for referral of such individual to the appropriate State agency administering the State program under title V.*

\* \* \* \* \*

[(c) Every individual age 16 or over with respect to whom the Commissioner of Social Security is required to make provision for referral under subsection (a) shall accept such services as are made available to him under the State plan for vocational and rehabilitation services approved under title I of the Rehabilitation Act of 1973; and no such individual shall be an eligible individual or eligible spouse for purposes of this title if he refuses without good cause to accept services for which the Commissioner is referred under subsection (a).]

\* \* \* \* \*

PART B—PROCEDURAL AND GENERAL PROVISIONS

PAYMENTS AND PROCEDURES

Payment of Benefits

SEC. 1631. (a)(1) \* \* \*

\* \* \* \* \*

(6) Notwithstanding any other provision of this title, payment of the benefit of any individual who is an aged, blind, or disabled individual solely by reason of blindness (as determined under section 1614(a)(2)) or disability (as determined under section 1614(a)(3)) shall not be terminated or suspended because the blindness or other physical or mental impairment, on which the individual's eligibility for such benefit is based, has or may have ceased, if—

(A) such individual is participating in [a program of vocational rehabilitation services] a program consisting of the Ticket to Work and Self-Sufficiency Program under section 1147 or another program of vocational rehabilitation services, employment services, or other support services approved by the Commissioner of Social Security, and,

\* \* \* \* \*

ADMINISTRATION

SEC. 1633. (a) \* \* \*

\* \* \* \* \*

(c)(1) In any case in which the Commissioner of Social Security initiates a review under this title, similar to the continuing disability reviews authorized for purposes of title II under section 221(i), the Commissioner of Social Security shall notify the individual whose case is to be reviewed in the same manner as required under section 221(i)(4).

(2) For suspension of continuing disability reviews and other reviews under this title similar to reviews under section 221 in the case of an individual using a ticket to work and self-sufficiency, see section 1147(i).

\* \* \* \* \*

SECTION 105 OF THE CONTRACT WITH AMERICA  
ADVANCEMENT ACT OF 1996

SEC. 105. DENIAL OF DISABILITY BENEFITS TO DRUG ADDICTS AND ALCOHOLICS.

(a) AMENDMENTS RELATING TO TITLE II DISABILITY BENEFITS.—

(1) \* \* \*

\* \* \* \* \*

(5) EFFECTIVE DATES.—

(A) The amendments made by paragraphs (1) and (4) shall apply to any individual who applies for, or whose claim is finally adjudicated [by the Commissioner of Social Security] with respect to, benefits under title II of the Social Security Act based on disability on or after the date

of the enactment of this Act, and, in the case of any individual who has applied for, and whose claim has been finally adjudicated [by the Commissioner] with respect to, such benefits before such date of enactment, such amendments shall apply only with respect to such benefits for months beginning on or after January 1, 1997.

[(B) The amendments made by paragraphs (2) and (3) shall apply with respect to benefits for which applications are filed after the third month following the month in which this Act is enacted.]

*(B) The amendments made by paragraphs (2) and (3) shall take effect on July 1, 1996, with respect to any individual—*

*(i) whose claim for benefits is finally adjudicated on or after the date of the enactment of this Act, or*

*(ii) whose entitlement to benefits is based upon an entitlement redetermination made pursuant to subparagraph (C).*

\* \* \* \* \*

*(D) For purposes of this paragraph, an individual's claim, with respect to benefits under title II of the Social Security Act based on disability, which has been denied in whole before the date of the enactment of this Act, may not be considered to be finally adjudicated before such date if, on or after such date—*

*(i) there is pending a request for either administrative or judicial review with respect to such claim, or*

*(ii) there is pending, with respect to such claim, a readjudication by the Commissioner of Social Security pursuant to relief in a class action or implementation by the Commissioner of a court remand order.*

*(E) Notwithstanding the provisions of this paragraph, with respect to any individual for whom the Commissioner of Social Security does not perform the entitlement redetermination before the date prescribed in subparagraph (C), the Commissioner shall perform such entitlement redetermination in lieu of a continuing disability review whenever the Commissioner determines that the individual's entitlement is subject to redetermination based on the preceding provisions of this paragraph, and the provisions of section 223(f) of the Social Security Act shall not apply to such redetermination.*

\* \* \* \* \*

**SECTION 505 OF THE SOCIAL SECURITY DISABILITY AMENDMENTS OF 1980**

**AUTHORITY FOR DEMONSTRATION PROJECTS**

SEC. 505. (a)(1) The Commissioner of Social Security shall develop and carry out experiments and demonstration projects designed to determine the relative advantages and disadvantages of (A) various alternative methods of treating the work activity of dis-

abled beneficiaries under the old-age, survivors, and disability insurance program, including such methods as a reduction in benefits based on earnings, designed to encourage the return to work of disabled beneficiaries and (B) altering other limitations and conditions applicable to such disabled beneficiaries (including, but not limited to, lengthening the trial work period, altering the 24-month waiting period for medicare benefits, altering the manner in which such program is administered, earlier referral of beneficiaries for rehabilitation, and greater use of employers and others to develop, perform, and otherwise stimulate new forms of rehabilitation), to the end that savings will accrue to the Trust Funds, or to otherwise promote the objectives or facilitate the administration of title II of the Social Security Act. *The Commissioner may expand the scope of any such demonstration project to include any group of applicants for benefits under such program with impairments which may reasonably be presumed to be disabling for purposes of such demonstration project, and may limit any such demonstration project to any such group of applicants, subject to the terms of such demonstration project which shall define the extent of any such presumption.*

\* \* \* \* \*

(3) In the case of any experiment or demonstration project under paragraph (1) which is initiated before June 10, [1996] 2001, the Commissioner may waive compliance with the benefit requirements of title II of the Social Security Act, and the Secretary of Health and Human Services may (upon the request of the Commissioner) waive compliance with the benefits requirements of title XVIII of such Act, insofar as is necessary for a thorough evaluation of the alternative methods under consideration. No such experiment or project shall be actually placed in operation unless at least ninety days prior thereto a written report, prepared for purposes of notification and information only and containing a full and complete description thereof, has been transmitted by the Commissioner to the Committee on Ways and Means of the House of Representatives and to the Committee on Finance of the Senate. Periodic reports on the progress of such experiments and demonstration projects shall be submitted by the Commissioner to such committees. When appropriate, such reports shall include detailed recommendations for changes in administration or law, or both, to carry out the objectives stated in paragraph (1).

(4) On or before June 9 in 1986 and each of the succeeding years through 1995, *and on or before October 1, 2000*, the Commissioner shall submit to the Congress an interim report on the progress of the experiments and demonstration projects carried out under this subsection together with any related data and materials which the Commissioner may consider appropriate.

\* \* \* \* \*

(c) The Secretary shall submit to the Congress a final report with respect to all experiments and demonstration projects carried out under this section (other than demonstration projects conducted

under section 5120 of the Omnibus Budget Reconciliation of 1990)  
no later than October 1, ~~1996~~ 2001.

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