OIG Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

The Cost-effectiveness of Vocational Rehabilitation Services

A-02-17-14048 | October 2017

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: October 20, 2017 Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: The Cost-effectiveness of Vocational Rehabilitation Services (A-02-17-14048)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether vocational rehabilitation services provided to Social Security Administration beneficiaries were cost-effective.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

Gale Stallworth Stone

Gale Stallworth Stone

Attachment

The Cost-effectiveness of Vocational Rehabilitation Services
A-02-17-14048

October 2017 **Office of Audit Report Summary**

Objective

To determine whether vocational rehabilitation (VR) services provided to Social Security Administration (SSA) beneficiaries were cost-effective.

Background

The services provided by a State VR agency are identified in the *Rehabilitation Act of 1973*, as amended, and are spelled out in an agreement between the disabled individual and the VR counselor in an individualized plan for employment. VR services for individuals include an assessment for determining vocational rehabilitation needs by qualified personnel, job-related services, and vocational and other training services.

SSA pays State VR agencies for the cost of the services they provide to Disability Insurance (DI) or disabled Supplemental Security Income (SSI) beneficiaries if they meet certain conditions. For example, the services must have contributed to the person achieving work at the substantial gainful activity level for a period of 9 continuous months, and there must be estimated savings to the trust or general funds from the person's reduced reliance on program benefits.

Findings

Overall, the VR services provided to the beneficiaries we reviewed were cost-effective. The Agency saved more funds when beneficiaries returned to work after they received VR services than it paid for those services.

However, of the 33,006 beneficiaries reviewed, 17,431 incurred more costs for the VR services than savings realized for forgone benefits because of work. We could not identify any savings for 6,894 of the 17,431 beneficiaries after they exited the VR programs. SSA reimbursed State VR agencies for the services provided to these beneficiaries even though they did not achieve savings.

We asked SSA what steps it took to help ensure beneficiaries work after exiting VR programs. SSA reported that it encourages VR agencies to refer successful clients to Employment Networks or other community rehabilitation providers so they can continue to receive post-employment support services. SSA also reported that its Ticket to Work Program Manager contacts beneficiaries whose cases were successfully closed to make them aware of additional employment support. Neither SSA nor its Ticket to Work Program Manager contacted beneficiaries whose cases were closed as unsuccessful after they exited the VR program.

Finally, while we determined that, overall, all the States' VR programs were cost-effective, some States served beneficiaries more cost-effectively than others did.

Recommendations

We recommend SSA determine whether it should

1. revise how it determines whether VR services led to Social Security DI trust and/or the SSI general revenue fund savings before reimbursing VR costs and

2. develop a strategy to increase the cost-effectiveness of VR services.

The Agency agreed with our recommendations.

TABLE OF CONTENTS

ABBREVIATIONS

DI	Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
VR	Vocational Rehabilitation

OBJECTIVE

Our objective was to determine whether vocational rehabilitation (VR) services provided to Social Security Administration (SSA) beneficiaries[1] were cost-effective.

BACKGROUND

The services provided by a State VR agency are identified in the *Rehabilitation Act of 1973*, as amended,[2] and are spelled out in an agreement between a disabled individual and a VR counselor in an individualized plan for employment. VR services for individuals include the following.

- An assessment by qualified personnel to determine eligibility and VR needs, including, if appropriate, personnel skilled in rehabilitation technology.
- Job-related services, including job search and placement assistance, job retention services, follow-up services, and follow-along services.
- Vocational and other training services, including the provision of personal and vocational adjustment services, books, tools, and other training materials.
- Transportation, including adequate training in using public transportation vehicles and systems, needed by an individual to achieve employment.

SSA pays State VR agencies for the cost of the services they provide to Disability Insurance (DI) or disabled Supplemental Security Income (SSI) beneficiaries if they meet certain conditions.[3] SSA will approve payment to a provider under two circumstances—a continuous period of substantial gainful activity (SGA) or medical recovery during VR.

VR agencies may make SGA claims when their services contributed to a beneficiary's completion of a continuous period of 9 months of work at the SGA level.[4] The primary conditions for an SGA case follow.[5]

---

[1] We use the term "beneficiaries" throughout the report to refer to DI beneficiaries and SSI recipients.

[2] *Rehabilitation Act of 1973,* 29 U.S.C. § 701 (2008).

[3] *Social Security Act*, 42 U.S.C. § 1382d (2013).

[4] SSA, *POMS*, *DI-Disability Insurance*, ch. DI 105, subch. DI 10501.015, sec. B and C (October 2016). The monthly SGA amount for statutorily blind individuals in 2017 was $1,950. For non-blind individuals, the monthly SGA amount in 2017 was $1,170.

[5] *Social Security Act*, 42 U.S.C. §§ 422(d), 1382d (2013); 20 C.F.R. §§ 404.2108 – 404.2117, 416.2208 – 416.2217.

- The individual served must be a DI beneficiary or blind or disabled SSI recipient when the services were provided.[6]
- The VR services must have contributed to the person's going to work at the SGA level.[7]
- The services must be reasonable and necessary.[8]
- There must be estimated savings to the trust or general funds from the person's reduced reliance on program benefits.[9]

VR agencies may also be reimbursed for the costs of services provided to disabled beneficiaries who medically recovered while participating in VR. In these cases, VR agencies will complete the VR services, and, when they do, cash benefits will terminate due to medical recovery. At that point, the VR agencies may request reimbursement.[10]

The amount SSA has paid State VR agencies has fluctuated over the last 10 years (see Table 1).

Table 1: SSA Funds Paid to VR State Agencies[11]

Fiscal Year	Number of Claims Approved for Payment	Funds Paid to State VR Agencies	Average Cost Per Claim
2007	6,871	$90,263,130	$13,137
2008	9,325	$124,238,549	$13,323
2009	8,712	$122,268,833	$14,035
2010	7,768	$105,964,399	$13,641
2011	4,679	$72,991,906	$15,600
2012	5,343	$78,768,058	$14,742
2013	9,645	$138,260,580	$14,335
2014	9,451	$141,449,760	$14,967
2015	12,291	$187,835,165	$15,282
2016	11,932	$181,403,973	$15,203
Total	**86,017**	**$1,243,444,353**	**$14,456**

[6] *Social Security Act*, 42 U.S.C. §§ 422(d)(1), 1382d(e) (2013); 20 C.F.R. §§ 404.2115, 416.2215.

[7] *Social Security Act*, 42 U.S.C. §§ 422(d)(1), 1382d(d) (2013); 20 C.F.R. §§ 404.2111, 416.2211.

[8] *Social Security Act*, 42 U.S.C. §§ 422(d)(1), 1382d(d) (2013); 20 C.F.R. §§ 404.2108(g), 416.2208(g).

[9] *Social Security Act*, 42 U.S.C. §§ 422(d)(1), 1382d(d) (2013); 20 C.F.R. §§ 404.2117(d), 416.2217(d).

[10] *Social Security Act*, 42 U.S.C. §§ 422(d)(1), 425(b), 1382d(d), 1383(a)(6) (2013); 20 C.F.R. §§ 404.2101(b), 404.2112, 416.2201(b), 416.2211.

[11] The VR payment information is from SSA's Website for State VR agency reimbursements. See https://www.ssa.gov/work/claimsprocessing.html.

State VR agencies may participate in SSA's Ticket to Work Program, which is a free and voluntary program available to people ages 18 through 64 who are blind or have a disability and who receive DI benefits or SSI payments.[12] State VR agencies can elect to serve as Employment Networks[13] in the Ticket to Work Program or they may provide services and be paid under SSA's VR Reimbursement Program.[14]

For this review, we identified 33,006 beneficiaries who exited a State VR program in FYs 2007 through 2011 and for whom SSA made a payment for the VR services they received. We counted savings as the benefit payments the beneficiaries forwent because of work activity between January 2006 and December 2014.[15] We counted costs as the VR cost-reimbursement payments and VR Employment Network payments SSA issued between January 2006 and December 2014.[16]

RESULTS OF REVIEW

Overall, the VR services provided to the beneficiaries we reviewed were cost-effective. The Agency saved more when beneficiaries returned to work after they received VR services than it paid for those services. The Agency paid over $472 million for the services provided and saved over $867 million because of benefits forgone because of work—a net savings of over $395 million.

---

[12] Under this Program, eligible beneficiaries who are receiving monthly cash payments are entitled to participate by signing up with the approved service provider of their choice. This can be an Employment Network or a State VR agency. If the Employment Network/State VR agency accepts the Ticket assignment, they will coordinate and provide appropriate services to help the beneficiary find and maintain employment. These services may be training, career counseling, VR, job placement, and ongoing support services necessary to achieve a work goal.

[13] An Employment Network is a private organization or public agency (including a State VR agency) that entered into an agreement to provide employment services, vocational rehabilitation services, and other types of support to beneficiaries with disabilities under the Ticket to Work Program.

[14] *Social Security Act*, 42 U.S.C. § 1320b-19 (2011).

[15] We define savings as the benefit payments beneficiaries forwent because of work activity after exiting VR programs. However, we cannot be certain these savings were the direct result of the VR services provided. Some of the beneficiaries may have realized such savings in the absence of VR services. Additionally, SSA reported to us that some beneficiaries receive VR services for which the providing VR agencies are not reimbursed because the reimbursement criteria are not met or the VR agencies fail to request reimbursement from SSA. Some of these beneficiaries forgo benefits because of work activity after they exit the VR programs. SSA reported that, in one study of over 62,600 beneficiaries who began VR services in 2006, SSA reimbursed State VR programs for about 4,300 beneficiaries who forwent over $133 million in benefits because of work over an 8-year period. While SSA did not reimburse VR programs for the services the remaining 58,300 beneficiaries received, some of the beneficiaries did work and forwent over $226 million in benefits over the same 8-year period. Because we focused on beneficiaries who incurred a cost for the VR services provided, benefits forgone because of work for beneficiaries for whom SSA did not make a payment to a VR agency are not included in our calculated savings.

[16] The savings and costs dollar amounts in this report are the actual values rounded to the nearest dollar.

While SSA saved more than it spent overall for VR services, many beneficiaries had higher costs when compared to the DI and SSI program savings they generated by forgoing DI benefits or SSI payments because they returned to work. Of the 33,006 beneficiaries reviewed, 17,431 incurred more costs for their VR services than SSA saved. In fact, we could not identify savings for 6,894 of the 17,431 beneficiaries after they exited the VR programs.

We asked SSA what steps it takes to help ensure beneficiaries work after exiting VR programs. SSA reported it encourages VR agencies to refer successful clients to Employment Networks or other community rehabilitation providers so they can continue receiving post-employment support services. SSA also reported that its Ticket to Work Program Manager contacts beneficiaries whose cases were successfully closed to make them aware of additional employment support. SSA, or its Ticket to Work Program Manager, does not contact beneficiaries whose cases were closed as unsuccessful after they exited the VR program.

Finally, while each States' VR programs was cost-effective, some States served the beneficiaries more cost-effectively than others. For example, SSA saved $3.71 for every $1 it paid Massachusetts for VR services, the highest State savings rate. The Agency saved $1.28 for every $1 it paid Mississippi for VR services, the lowest State savings rate.

VR Cost-effectiveness

Overall, the VR services provided to the beneficiaries we reviewed were cost-effective. SSA saved more funds from beneficiaries forgoing benefits because they returned to work after VR services than SSA paid for the VR services. Specifically, the Agency paid over $472 million for the services provided and saved over $867 million because of benefits forgone due to work—a net savings of over $395 million. See Table 2 for the VR savings and cost by year.

Table 2: Savings and Costs for Beneficiaries Who Received VR Services by VR Exit Year

FY Beneficiary Exited VR Program	Number of Beneficiaries	Total Savings Because of Benefits Forgone Due to Work[17]	Total Costs for VR Services	Savings Less Costs
2007	8,978	$266,580,268	$121,338,340	$145,241,928
2008	8,140	$233,510,417	$114,427,063	$119,083,354
2009	6,824	$174,668,291	$101,888,152	$72,780,139
2010	5,407	$120,129,905	$80,187,637	$39,942,267
2011	3,657	$72,919,624	$54,537,242	$18,382,382
Total[18]	**33,006**	**$867,808,505**	**$472,378,435**	**$395,430,070**

[17] Beneficiaries who exited a VR program in an earlier year had more possible months of savings based on monthly forgone benefits due to work activity. Accordingly, earlier years had higher savings. Also, all the beneficiaries could have incurred additional savings after the date we completed our analysis.

[18] Each number in the table is individually rounded to the nearest dollar, including the total amounts. Because the totals are the actual amounts, rounded to the nearest dollar, there may be a difference of one dollar between the sums or differences of the rounded amounts in each column or row.

While VR services were cost-effective overall, they were not cost-effective for all beneficiaries. Of the 33,006 beneficiaries reviewed, 15,575 had savings based on forgone benefits because they returned to work after they exited a VR agency that were greater than the amounts SSA paid for the VR services. For the remaining 17,431 beneficiaries, SSA paid more for the VR services than it saved from beneficiaries forgoing benefits after returning to work. These beneficiaries generally did not work long enough after they exited a VR program to incur benefit savings greater than the costs of the VR services they received (see Table 3).

Table 3: Savings and Costs for Beneficiaries Who Received VR Services

	Number of Beneficiaries	Total Savings Because of Benefits Forgone Due to Work	Total Costs for VR Services	Savings Less Costs
Beneficiaries with Net Savings	15,575	$797,015,256	$182,168,778	$614,846,478
Beneficiaries with Net Costs	17,431	$70,793,249	$290,209,657	($219,416,408)
Total	**33,006**	**$867,808,505**	**$472,378,435**	**$395,430,070**

Work Activity After Exiting VR Program

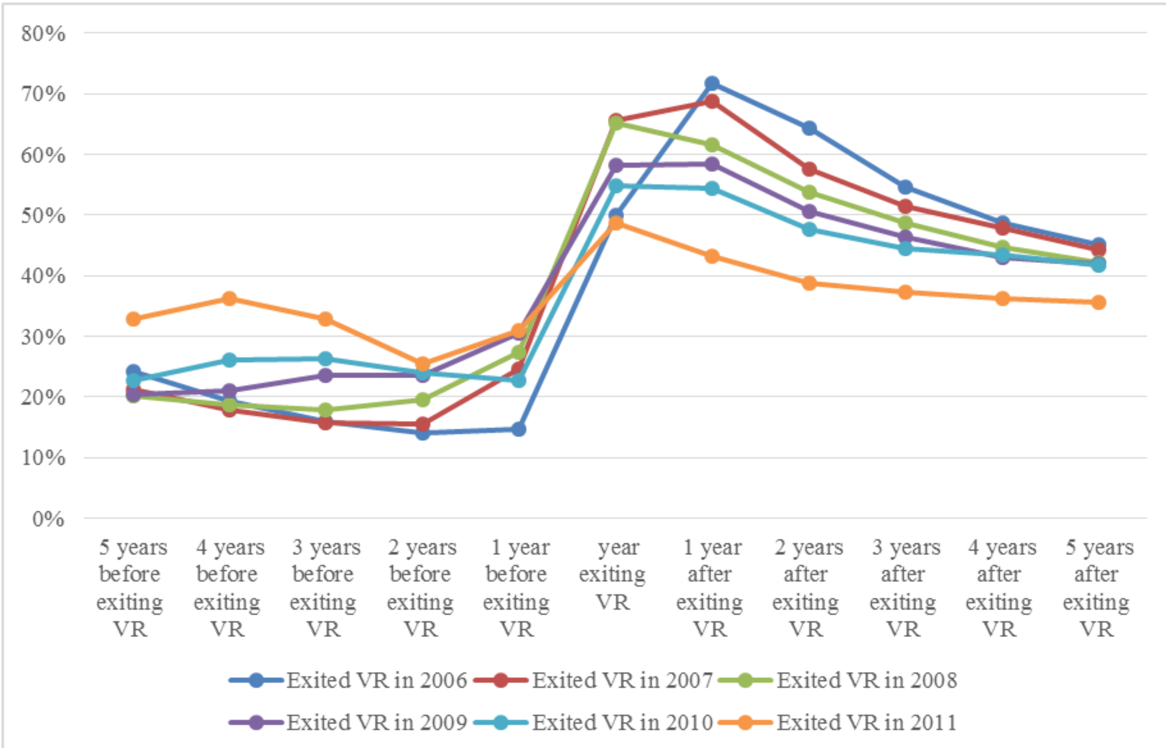
Generally, when DI beneficiaries engage in SGA, SSA stops paying their benefits and accrues savings.[19] Also, SSA reduces SSI recipients' payments when they have earnings, subject to certain specific exclusions.[20] We found that the number of beneficiaries who had SGA-level work activity increased after they exited VR services (see Figure 1).

---

[19] SSA, *POMS, Work Activity and Work Incentives,* ch. DI 130, subch. DI 13010.001, sec. A.2 (April 2009). For DI beneficiaries, benefits are not reduced during a trial work period. The trial work period allows beneficiaries to test their ability to work for at least 9 months. During the trial work period, beneficiaries receive their full benefits regardless of how much they earn as long as they report the work to SSA and continue to have a disability. After a trail work period, beneficiaries' benefits will stop if they work above the SGA-level.

[20] SSA, *POMS, Earned Income Exclusions – General,* ch. SI 008, subch. SI 00820.500, sec. A.3 (February 2009).

Figure 1: Percent of Beneficiaries with Earnings Above SGA-level Work Activity



Overall, 24,572 of the 33,006 beneficiaries had SGA-level work activity in at least 1 year from the year they exited the VR program through the end of 2016. Additionally, 7,810 beneficiaries had SGA-level work activity in every year after they exited the VR program.

As might be expected, beneficiaries with net savings had a higher average savings than beneficiaries with net costs. They also had lower average costs (see Table 4).

Table 4: Average Savings and Costs for Beneficiaries with Net Savings and Net Costs

	Number of Beneficiaries	Average Savings Based on Benefits Forgone Because of Work	Average Costs Based on Payments for VR Services Provided
All Beneficiaries	33,006	$26,292	$14,312
Beneficiaries with Net Savings	15,575	$51,173	$11,696
Beneficiaries with Net Costs	17,431	$4,061	$16,649

Requirement to Achieve Savings Before Paying for VR Services

For SSA to reimburse a State for the costs of VR services provided, the request for payment must meet five primary conditions. One of the conditions is that there must be estimated savings to the trust or general funds from the person's reduced reliance on program benefits. Specifically, SSA determines the potential program savings to the trust and general funds and the maximum amount payable to the VR agencies on a case-by-case basis by a formula developed by SSA's Office of the Chief Actuary that considers the individual's monthly benefit amount, expected duration of disability, age when he/she completes the continuous period of SGA, and gender.

In June 2017, we reviewed[21] the processing of payments SSA made to VR agencies in FY 2014. We reviewed the processes SSA had in place to ensure all applicable criteria were met before it reimbursed VR agencies. Accordingly, the audit included a review of SSA's application of the formula used to determine whether DI trust fund and/or SSI general revenue fund savings were achieved before reimbursing a VR agency. The report concluded that SSA made some immaterial errors when it used the formula.

The June 2017 report included *Other Matters* identified during the audit that did not specifically meet the audit objective. The report stated the Agency's calculation of the savings to the trust fund did not provide a true indication of savings to the trust fund. The report noted that an Office of the Chief Actuary employee stated SSA had not updated the formula since the 1980s, and it could understate savings because most beneficiaries in recent years have been staying on the rolls longer than they did, or were expected to, in the 1980s. In addition, SSA stated it based the formula on DI disabled workers and did not consider SSI disabled workers. However, SSA used the formula for both DI and SSI cases.

Further developing this issue in this audit, we determined whether SSA made payments to VR agencies for services provided to beneficiaries who did not generate any savings to the DI trust fund and/or SSI general revenue funds. We used SSA's data that tracked whether beneficiaries forwent any monthly benefits because they returned to work after exiting VR programs. We identified 6,894 beneficiaries who did not forgo any benefits because of work after they exited the VR program. While these beneficiaries did not have any savings, SSA still made payments totaling nearly $95 million on their behalf for the VR services they received (see Table 5).[22]

---

[21] SSA, OIG, *Vocational Rehabilitation Services Reimbursements for Supplemental Security Income and Disability Insurance Beneficiaries, A-15-14-14095,* pp. 12-13 (June 2017).

[22] We also identified 2,054 beneficiaries who did not forgo benefits after they exited the VR program, and SSA made payments to VR agencies on their behalves. However, for these cases, the VR agencies chose to act as Employment Networks and selected the outcome-milestone payment system. Under this payment system, the VR agencies were eligible for milestone payments before the beneficiaries had any benefit reductions because of work activity.

Table 5: Payments for VR Services for Beneficiaries with No Savings

	DI Beneficiaries	SSI Recipients	Concurrent Beneficiaries[23]	Total
Number of Beneficiaries	2,215	1,309	3,370	6,894
Payment Amount	$30,253,370	$17,320,433	$47,309,549	$94,883,352

SSA Follow up with Beneficiaries After They Exit the VR Program

We asked SSA what steps it took to help beneficiaries work after exiting VR services. SSA reported it encourages VR agencies to refer successful clients to Employment Networks or other community rehabilitation providers so they can continue receiving post-employment support services. VR agencies closed cases as successful when the beneficiaries had been employed for at least 90 days.

SSA also reported that its Ticket to Work Program Manager contacts beneficiaries whose cases were successfully closed through automated telephone calls. The calls make beneficiaries aware of the availability of the Ticket to Work program, which can provide additional employment support to help them retain employment or increase work and earnings. Specifically, the Program Manager works from a list of the cases VR agencies successfully closed in the 60 days before the date the data were selected (see Table 6). SSA, or its Ticket to Work Program Manager, does not specifically contact beneficiaries whose cases were closed as unsuccessful after they exited the VR program.

[23] The term "concurrent" describes individuals who are eligible for benefits under both the DI and SSI programs.

Table 6: Number of Beneficiaries Called by Ticket to Work Program Manager[24]

Month	Number of Beneficiaries Selected for Calls	Number of Beneficiaries Called
January 2017	3,858	3,162
February 2017	5,000	693
March 2017	1,552	2,290
April 2017	2,566	4,257
May 2017	2,466	5,032
June 2017	2,372	2,371
July 2017	2,702	0
Total	**20,516**	**17,805**

If the beneficiary is not successfully contacted after two call attempts, he/she is not called again.[25] If the automated call system reaches an answering machine, it leaves a message for the beneficiary with a helpline telephone number.

SSA reported that about 8 percent of beneficiaries who received an automated call and transferred to the helpline during the call used the Ticket to Work Program for additional services. It also reported that about 5 percent of the beneficiaries who received a voice message had a future Ticket assignment. Similarly, about 5 percent of the beneficiaries who were not successfully contacted had future Ticket assignments.

Return on Investment by State

SSA had a positive return on investment with all the States that provided VR services to the beneficiaries we reviewed. Specifically, because beneficiaries worked after they exited a VR program and forwent benefit payments, SSA realized DI and SSI program savings greater than the amount it reimbursed for the VR services provided.

[24] Because of competing priorities, in some months, SSA could not complete the full list of uploaded calls. In these cases, SSA would make additional calls in subsequent months. As of July 18, 2017, when we received this information from SSA, it reported that no calls were made in July 2017.

[25] The Program Manager may call the same beneficiary again after a separate successful VR case closure that occurs after 90 days from when the beneficiary was selected for a call for the previous VR case closure.

For the 33,006 beneficiaries reviewed, Massachusetts had the highest savings-to-cost ratio. The 1,294 beneficiaries served by Massachusetts State VR agencies saved over $40 million because the beneficiaries forwent benefits after they returned to work while SSA paid Massachusetts almost $11 million—a savings-to-cost ratio of $3.71-to-$1. Conversely, Mississippi created more savings than costs for the 258 beneficiaries it served—a savings-to-cost ratio of $1.28-to-$1. See Table 7 for the list of the five States with the highest savings-to-cost ratios and Table 8 for the five States with the lowest savings-to-cost ratios. (See Appendix B for the savings-to-cost ratios for all States and U.S. territories.)

Table 7: Five States with the Highest Savings-to-Cost Ratios

State	Number of Beneficiaries Served	Savings Because of Forgone Benefit Payments	Costs of VR Services Provided	Net Savings	Savings per $1 of VR Cost
Massachusetts	1,294	$40,615,880	$10,949,200	$29,666,680	$3.71
Hawaii	49	$1,781,894	$508,632	$1,273,261	$3.50
Rhode Island	132	$4,513,582	$1,302,997	$3,210,585	$3.46
Wyoming	68	$1,578,530	$521,246	$1,057,283	$3.03
Delaware	122	$2,950,014	$1,012,447	$1,937,567	$2.91

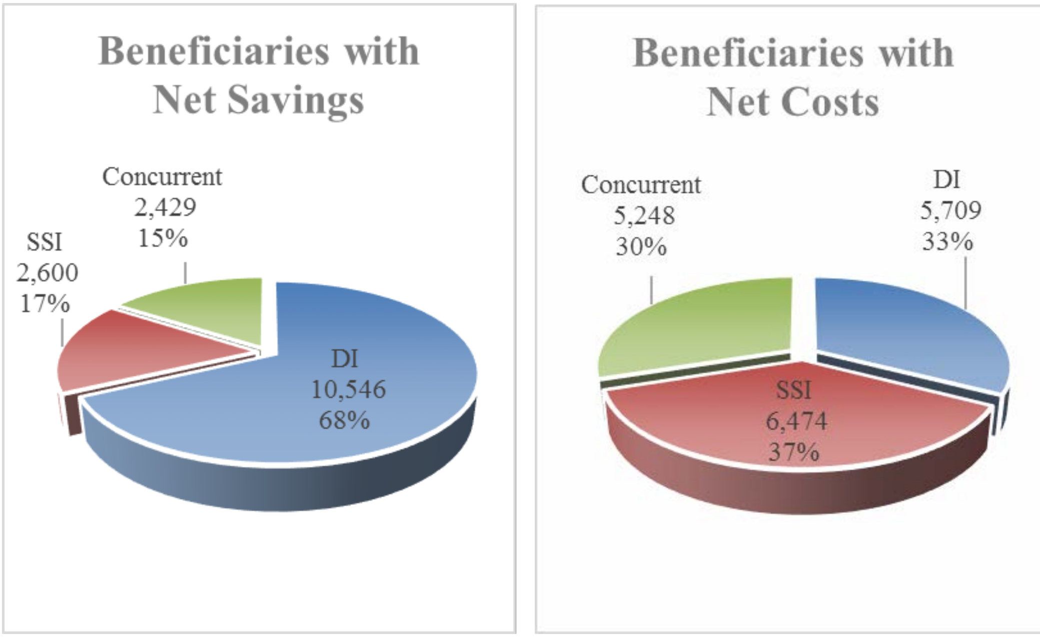
Table 8: Five States with the Lowest Savings-to-Cost Ratios

State	Number of Beneficiaries Served	Savings Because of Forgone Benefit Payments	Costs of VR Services Provided	Net Savings	Savings per $1 of VR Cost
North Dakota	84	$1,278,744	$948,483	$330,260	$1.35
West Virginia	155	$4,371,059	$3,336,309	$1,034,750	$1.31
Indiana	479	$8,832,149	$6,766,255	$2,065,893	$1.31
Kansas	230	$4,637,155	$3,574,122	$1,063,033	$1.30
Mississippi	258	$6,514,881	$5,103,844	$1,411,036	$1.28

Characteristics of Beneficiaries Who Exited VR Agencies

We looked at the characteristics of beneficiaries with net savings and those with net costs—and noticed few differences between them. The beneficiaries with net savings were more likely to receive DI benefits than SSI payments or concurrent benefits (see Figure 2).

Figure 2: Beneficiaries with Net Savings and Net Costs by Program Type



DI beneficiaries were more likely to have net savings than SSI recipients or concurrent beneficiaries (see Table 9).

Table 9: Percentage of Beneficiaries with Net Savings and Net Costs by Program Type

Program	Percent with Net Savings	Percent with Net Costs
DI	65	35
SSI	29	71
Concurrent	32	68

We found that both groups were similar when we compared their ages, disability types, levels of education completed, and geographic locations. See Appendix C for more information on these comparisons.

CONCLUSIONS

Overall, the VR services provided to the beneficiaries we reviewed were cost-effective. The Agency saved more through beneficiaries forgoing benefits because they returned to work after receiving VR services than it paid for those services.

While SSA saved more than it spent overall for VR services for some beneficiaries, it spent more on VR services than it achieved in program savings for other beneficiaries. In addition, SSA did not achieve any program savings for some beneficiaries because they continued receiving disability benefits after they exited the VR programs. SSA could increase the cost-effectiveness of VR if it did not pay for VR services for beneficiaries who did not achieve savings because of returning to work after exiting VR programs.

SSA may be able to further increase the cost-effectiveness of VR services. For example, the Agency could determine whether additional outreach about employment services available after exiting VR programs would help more beneficiaries return to work or increase their work outcomes. Additionally, some States provided more cost-effective services than others did. SSA could determine whether researching why some State programs were more cost-effective could help increase the cost-effectiveness of other State programs. SSA may be able to use its Disability Research Consortium[26] to complete such research.

RECOMMENDATIONS

We recommend that SSA determine whether it should

1. revise how it determines whether VR services led to Social Security DI trust and/or the SSI general revenue fund savings before reimbursing VR costs and

2. develop a strategy to increase the cost-effectiveness of VR services.

AGENCY COMMENTS

The Agency agreed with our recommendations. See Appendix D for the Agency's comments.

Rona Lawson
Assistant Inspector General for Audit

[26] The Disability Research Consortium consists of two cooperatively funded research centers - Mathematica Policy Research's Center for Studying Disability Policy and the National Bureau of Economic Research's Disability Research Center. SSA funds the centers through 5-year cooperative agreements. The Disability Research Consortium's main goals include researching and evaluating an array of topics related to SSA's DI and SSI programs and other Federal disability policies; disseminating information on disability issues relevant to policymakers, researchers, stakeholder organizations, and the general public; and better understanding the intersection and interaction between SSA and other Federal disability-related programs to address the broader social and economic contexts of their administration and operation.

APPENDICES

Appendix A – Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) Program Operations Manual System (POMS).

- Obtained data from the Rehabilitation Services Administration 911 file, which contains information provided by the Department of Education on individuals who participated in Vocational Rehabilitation (VR). Specifically, we identified individuals who participated in and exited the VR programs in FYs 2007 through 2011. We also extracted payment data related to these individuals from the 911 file. Specifically, we identified traditional cost-reimbursement payments made to VR agencies, milestone outcome payments made to employment networks, and outcome only payments made to employment networks for the services they provided to the VR participants.

- Obtained data from SSA's Disability Analysis File on funds beneficiaries forwent because of work activity after they exited VR programs from FYs 2007 to 2011. We counted the savings due to benefits forgone because of work activity from January 2006 through December 2014.

- Identified 33,006 individuals who had a payment made on their behalf for VR services they received. Once identified, we determined whether the beneficiaries forwent benefit payments because of work activity after they exited their VR program.

- Compared the savings based on benefits forgone because of work activity and the costs based on the payments for the VR services provided for these 33,006 individuals for the period January 2006 through December 2014. Based on this comparison, we determined whether each beneficiary had net savings or net costs. After determining that 15,575 of the beneficiaries had net savings and 17,431 had net costs, we compared the characteristics, including age, SSA program and disability type, level of education completed, and geographic location, for both groups.

- Obtained data from SSA's Master Beneficiary and Supplemental Security Records to assist in comparing the beneficiaries with net savings and net costs.

- Obtained earnings data from SSA's Master Earnings File for the period January 2000 through December 2016 to determine the level of earnings each beneficiary had before and after their VR programs.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted our audit work in the New York Audit Division, New York, between October 2016 and July 2017. The entity audited was the Office of Research, Demonstration, and Employment Support in the Office of Retirement and Disability Policy.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and conduct the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAVINGS-TO-COST RATIOS BY STATE OR TERRITORY

State	Number of Beneficiaries Served	Savings Because of Forgone Benefit Payments	Costs of VR Services Provided	Net Savings	Savings per $1 of VR Cost
Massachusetts	1,294	$40,615,880	$10,949,200	$29,666,680	$3.71
Hawaii	49	$1,781,894	$508,632	$1,273,261	$3.50
Rhode Island	132	$4,513,582	$1,302,997	$3,210,585	$3.46
Wyoming	68	$1,578,530	$521,246	$1,057,283	$3.03
Delaware	122	$2,950,014	$1,012,447	$1,937,567	$2.91
South Carolina	415	$10,368,727	$3,575,594	$6,793,133	$2.90
Utah	473	$12,800,357	$4,808,796	$7,991,561	$2.66
Idaho	296	$6,777,239	$2,634,827	$4,142,412	$2.57
Illinois	1,274	$37,908,092	$15,018,747	$22,889,345	$2.52
New Jersey	288	$7,799,880	$3,248,014	$4,551,866	$2.40
Connecticut	444	$15,061,082	$6,548,560	$8,512,522	$2.30
Colorado	475	$12,757,489	$5,837,900	$6,919,589	$2.19
Nevada	288	$6,529,397	$3,086,513	$3,442,884	$2.12
New York	1,548	$43,068,445	$20,904,600	$22,163,845	$2.06
Pennsylvania	1,717	$55,006,461	$26,845,172	$28,161,289	$2.05
North Carolina	669	$17,245,045	$8,489,236	$8,755,809	$2.03
Arkansas	211	$4,846,151	$2,484,847	$2,361,304	$1.95
New Hampshire	545	$9,133,590	$4,753,421	$4,380,169	$1.92
Louisiana	506	$13,255,565	$7,083,922	$6,171,643	$1.87
Alabama	400	$11,756,965	$6,296,562	$5,460,403	$1.87
Washington	599	$17,466,293	$9,421,320	$8,044,974	$1.85
Georgia	928	$22,362,252	$12,200,874	$10,161,378	$1.83
New Mexico	465	$10,568,454	$5,769,840	$4,798,614	$1.83
Maryland	811	$20,848,482	$11,493,800	$9,354,682	$1.81
Michigan	911	$21,634,618	$12,005,915	$9,628,703	$1.80
Florida	1,700	$37,994,099	$21,368,463	$16,625,635	$1.78
Texas	2,888	$83,679,311	$47,777,064	$35,902,247	$1.75
Missouri	513	$16,093,677	$9,192,604	$6,901,072	$1.75
Dist. of Columbia	107	$1,966,231	$1,124,607	$841,624	$1.75
Oklahoma	505	$12,744,141	$7,394,885	$5,349,256	$1.72

State	Number of Beneficiaries Served	Savings Because of Forgone Benefit Payments	Costs of VR Services Provided	Net Savings	Savings per $1 of VR Cost
Iowa	389	$11,205,645	$6,568,456	$4,637,189	$1.71
Minnesota	884	$25,529,298	$15,296,362	$10,232,936	$1.67
Nebraska	157	$5,184,634	$3,211,238	$1,973,395	$1.61
Vermont	539	$6,974,182	$4,345,380	$2,628,803	$1.60
California	3,775	$102,726,095	$64,045,001	$38,681,093	$1.60
Kentucky	703	$18,724,957	$11,695,507	$7,029,450	$1.60
South Dakota	319	$4,970,601	$3,114,673	$1,855,929	$1.60
Tennessee	312	$9,509,615	$5,988,502	$3,521,113	$1.59
Maine	283	$6,087,903	$3,844,776	$2,243,126	$1.58
Puerto Rico	49	$457,613	$297,639	$159,974	$1.54
Montana	183	$4,373,247	$2,845,551	$1,527,697	$1.54
Alaska	96	$2,940,452	$1,924,010	$1,016,442	$1.53
Virgin Islands	2	$23,376	$15,343	$8,033	$1.52
Ohio	1,239	$30,692,199	$20,505,951	$10,186,249	$1.50
Arizona	359	$9,050,343	$6,052,307	$2,998,036	$1.50
Virginia	716	$17,110,289	$11,455,120	$5,655,169	$1.49
Oregon	678	$13,056,683	$8,933,233	$4,123,450	$1.46
Wisconsin	476	$12,445,445	$8,849,767	$3,595,679	$1.41
North Dakota	84	$1,278,744	$948,483	$330,260	$1.35
West Virginia	155	$4,371,059	$3,336,309	$1,034,750	$1.31
Indiana	479	$8,832,149	$6,766,255	$2,065,893	$1.31
Kansas	230	$4,637,155	$3,574,122	$1,063,033	$1.30
Mississippi	258	$6,514,881	$5,103,844	$1,411,036	$1.28
Total	**33,006**	**$867,808,508**	**$472,378,434**	**$395,430,070**	**$1.84**

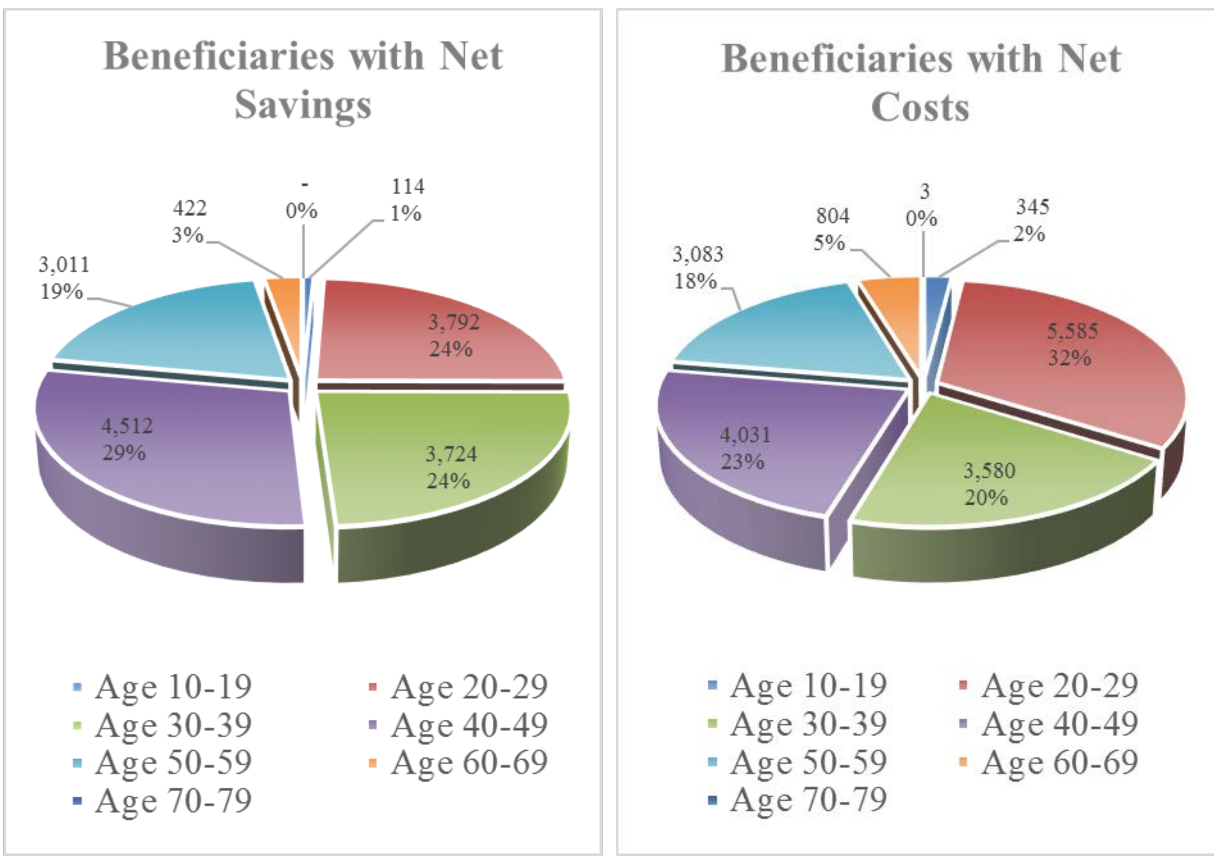
Note: We rounded the savings and cost amounts to the nearest dollar. Because of the rounding, the totals are slightly different from those reported in the body of the report. Net savings may also be slightly different due to rounding.

Appendix C – COMPARISON OF BENEFICIARIES WITH NET SAVINGS AND NET COSTS

While Vocational Rehabilitation (VR) services were cost-effective overall, they were not cost-effective for all beneficiaries. Of the 33,006 beneficiaries reviewed, 15,575 had savings based on forgone benefits because they returned to work after they exited a VR program greater than the amount SSA paid for the VR services. For the remaining 17,431 beneficiaries, SSA paid more for the VR services they received than the savings of forgoing benefits after they returned to work. They generally did not work long enough after exiting a VR program to incur benefit savings greater than the costs of the VR services they received.

When we compared the age, disability type, level of education completed, and geographic location for both groups, we found both groups were generally similar. See the figure and tables below. Beneficiaries with net savings and net costs had similar age distributions.

Figure C–1: Beneficiaries with Net Savings and Net Costs by Age



Both groups had similar types of disabilities.

Table C–1: Beneficiaries with Net Savings and Net Costs by Type of Disability

Type of Disability	Beneficiaries with Net Savings	Percent of Beneficiaries with Net Savings	Beneficiaries with Net Costs	Percent of Beneficiaries with Net Costs
Musculoskeletal	1,958	12.57	1,673	9.60
Special Sense and Speech	1,798	11.54	2,515	14.43
Respiratory	215	1.38	216	1.24
Cardiovascular	369	2.37	370	2.12
Digestive	148	0.95	115	0.66
Genitourinary	240	1.54	171	0.98
Hematological	87	0.56	55	0.32
Skin Disorder	42	0.27	43	0.25
Endocrine	239	1.53	199	1.14
Neurological	1,216	7.81	1,513	8.68
Mental Disorders	6,341	40.71	7,461	42.80
Malignant Neoplastic Disease – Cancer	185	1.19	206	1.18
Immune System	344	2.21	286	1.64
Special/Other	2,055	13.19	1,703	9.77
Congenital Disorders	4	0.03	22	0.13
Growth Impairment	2	0.01	7	0.04
SSA's Records Did Not Have Disability Code	332	2.13	876	5.03
Total	**15,575**	**100%**	**17,431**	**100%**

Both groups had similar levels of education.

Table C–2: Beneficiaries with Net Savings and Net Costs by Education Level

Education Level	Beneficiaries with Net Savings	Percent of Beneficiaries with Net Savings	Beneficiaries with Net Costs	Percent of Beneficiaries with Net Costs
No formal schooling	16	0.10	21	0.12
Elementary education (grades 1-8)	155	1.00	178	1.02
Secondary education, no high school diploma (grades 9-12)	979	6.29	1,311	7.52
Special education certificate of completion/attendance	690	4.43	1,326	7.61
High school graduate or equivalency certificate (regular education students)	4,076	26.17	5,047	28.95
Post-secondary education, no degree	2,839	18.23	2,984	17.12
Associate degree or vocational/technical certificate	3,042	19.53	2,731	15.67
Bachelor's degree	2,609	16.75	2,654	15.23
Master's degree or higher	981	6.30	970	5.56
Educational level information not available	188	1.21	209	1.20
Total	**15,575**	**100%**	**17,431**	**100%**

Both groups were similarly distributed across the country.

Table C–3: Beneficiaries with Net Savings and Net Costs by Location of State VR Agencies

State VR Agencies Location	Beneficiaries with Net Savings	Percent of Beneficiaries with Net Savings	Beneficiaries with Net Costs	Percent of Beneficiaries with Net Costs
Alabama	190	1.22	210	1.20
Alaska	46	0.30	50	0.29
Arizona	161	1.03	198	1.14
Arkansas	107	0.69	104	0.60
California	1709	10.97	2,066	11.85
Colorado	238	1.53	237	1.36
Connecticut	243	1.56	201	1.15
Delaware	68	0.44	54	0.31

State VR Agencies Location	Beneficiaries with Net Savings	Percent of Beneficiaries with Net Savings	Beneficiaries with Net Costs	Percent of Beneficiaries with Net Costs
Dist. of Columbia	47	0.30	60	0.34
Florida	759	4.87	941	5.40
Georgia	410	2.63	518	2.97
Hawaii	24	0.15	25	0.14
Idaho	148	0.95	148	0.85
Illinois	710	4.56	564	3.24
Indiana	166	1.07	313	1.80
Iowa	196	1.26	193	1.11
Kansas	91	0.58	139	0.80
Kentucky	317	2.04	386	2.21
Louisiana	255	1.64	251	1.44
Maine	130	0.83	153	0.88
Maryland	401	2.57	410	2.35
Massachusetts	756	4.85	538	3.09
Michigan	371	2.38	540	3.10
Minnesota	419	2.69	465	2.67
Mississippi	114	0.73	144	0.83
Missouri	253	1.62	260	1.49
Montana	83	0.53	100	0.57
Nebraska	87	0.56	70	0.40
Nevada	135	0.87	153	0.88
New Hampshire	203	1.30	342	1.96
New Jersey	135	0.87	153	0.88
New Mexico	215	1.38	250	1.43
New York	781	5.01	767	4.40
North Carolina	320	2.05	349	2.00
North Dakota	34	0.22	50	0.29
Ohio	499	3.20	740	4.25
Oklahoma	252	1.62	253	1.45
Oregon	249	1.60	429	2.46
Pennsylvania	892	5.73	825	4.73
Puerto Rico	18	0.12	31	0.18
Rhode Island	71	0.46	61	0.35
South Carolina	211	1.35	204	1.17

State VR Agencies Location	Beneficiaries with Net Savings	Percent of Beneficiaries with Net Savings	Beneficiaries with Net Costs	Percent of Beneficiaries with Net Costs
South Dakota	124	0.80	195	1.12
Tennessee	139	0.89	173	0.99
Texas	1431	9.19	1,457	8.36
Utah	241	1.55	232	1.33
Vermont	196	1.26	343	1.97
Virginia	324	2.08	392	2.25
Virgin Islands	2	0.01	0	0.00
Washington	287	1.84	312	1.79
West Virginia	69	0.44	86	0.49
Wisconsin	208	1.34	268	1.54
Wyoming	40	0.26	28	0.16
Total	**15,575**	**100%**	**17,431**	**100%**

Appendix D– AGENCY COMMENTS

SOCIAL SECURITY

MEMORANDUM

Date: October 18, 2017 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall /s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "The Cost-effectiveness of Vocational Rehabilitation Services" (A-02-17-14048)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "THE COST-EFFECTIVENESS OF VOCATIONAL REHABILITATION SERVICES" (A-02-17-14048)

GENERAL COMMENTS

The Vocational Rehabilitation (VR) agency in each State or United States territory administers the VR program to help individuals with physical or mental impairments become gainfully employed and in some instances achieve financial independence. We appreciate OIG's acknowledgement that the VR services we fund for beneficiaries are cost-effective. We are always looking for opportunities to do better and are currently reviewing the VR program regulations to determine if there are additional options available to increase cost savings. We also provide feedback to the VR agencies on their comparative performance and payments relative to other VRs, and continually encourage them to identify additional cost saving opportunities.

Recommendation 1

Determine whether the agency should revise how it determines whether VR services led to Social Security Disability Insurance trust and/or the Supplemental Security Income general revenue fund savings before reimbursing VR costs.

Response

We agree.

Recommendation 2

Determine whether the agency should develop a strategy to increase the cost-effectiveness of VR services.

Response

We agree.

Mission

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

Connect with Us

The OIG Website (https://oig.ssa.gov/) gives you access to a wealth of information about OIG. On our Website, you can report fraud as well as find the following.

- OIG news
- audit reports
- investigative summaries
- Semiannual Reports to Congress
- fraud advisories
- press releases
- congressional testimony
- an interactive blog, "Beyond The Numbers" where we welcome your comments

In addition, we provide these avenues of communication through our social media channels.

Watch us on YouTube

Like us on Facebook

Follow us on Twitter

Subscribe to our RSS feeds or email updates

Obtain Copies of Audit Reports

To obtain copies of our reports, visit our Website at https://oig.ssa.gov/audits-and-investigations/audit-reports/all. For notification of newly released reports, sign up for e-updates at https://oig.ssa.gov/e-updates.

Report Fraud, Waste, and Abuse

To report fraud, waste, and abuse, contact the Office of the Inspector General via

Website:	https://oig.ssa.gov/report-fraud-waste-or-abuse
Mail:	Social Security Fraud Hotline P.O. Box 17785 Baltimore, Maryland 21235
FAX:	410-597-0118
Telephone:	1-800-269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time
TTY:	1-866-501-2101 for the deaf or hard of hearing