

## **Work-Related Overpayments to Social Security Disability Insurance Beneficiaries: Prevalence and Descriptive Statistics**

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## 1. Introduction

Work-related overpayments to Social Security Disability Insurance (DI) beneficiaries create administrative and fiscal challenges for the Social Security Administration (SSA), may result in financial hardship for beneficiaries, and may negatively affect beneficiaries' attitudes toward employment. SSA (2013) found that annual work-related overpayments ranged from \$831 million to \$980 million from fiscal year 2010 through 2012. Interviews of DI beneficiaries have found that overpayments can trigger workers' frustrations with SSA in addition to affecting their employment decisions (O'Day et al. 2016).

Although overpayments account for a substantial sum of money in the aggregate and may be associated with negative reactions from beneficiaries, there is relatively little quantitative information on work-related overpayments at the beneficiary level. Research suggests that work-related overpayments range from about \$8,000 per overpayment spell (which may last from a few months to a few years) to about \$14,000 per overpaid beneficiary over a 10-year period (SSA Office of the Inspector General [SSA OIG] 2014, 2015). However, these results are based on fewer than 1,000 DI beneficiaries, and the bulk of the analysis period predates recent SSA efforts to reduce overpayments.

This document summarizes new beneficiary-level statistics on work-related overpayments that accrued to DI beneficiaries from January 2010 through December 2012. We used SSA's Disabled Beneficiary and Dependents administrative data files to estimate the prevalence, duration, and size of overpayments during this period. Our sample included 490,193 disabled-worker beneficiaries up to age 59 as of January 2010. More details on our sample and methodology are available in Hoffman et al. (2017).

## 2. DI Policy and Procedures on Work Activity

DI benefits are available to former workers if they apply and SSA determines they cannot engage in substantial gainful activity (SGA) because of long-term impairments. In 2017, SGA was defined as monthly earnings above \$1,170 for non-blind beneficiaries; SSA updates the SGA amount annually based on changes in the national average wage index. SSA suspends and eventually terminates the DI benefits of beneficiaries who engage in SGA over a prolonged period.

To encourage beneficiaries to move into employment and off the disability rolls, the DI program has incentives that allow beneficiaries to test their ability to work. The first is the nine-month Trial Work Period (TWP), during which earnings above the SGA limit do not affect benefits. After the TWP, the beneficiary is allowed to engage in SGA for up to three more months without loss of benefits, referred to as the grace period. After the three grace period months, benefits are suspended and eventually (36 or more months after the end of the TWP) terminated for SGA. Beneficiaries are at risk for overpayments in months when benefits should be suspended or terminated for work.

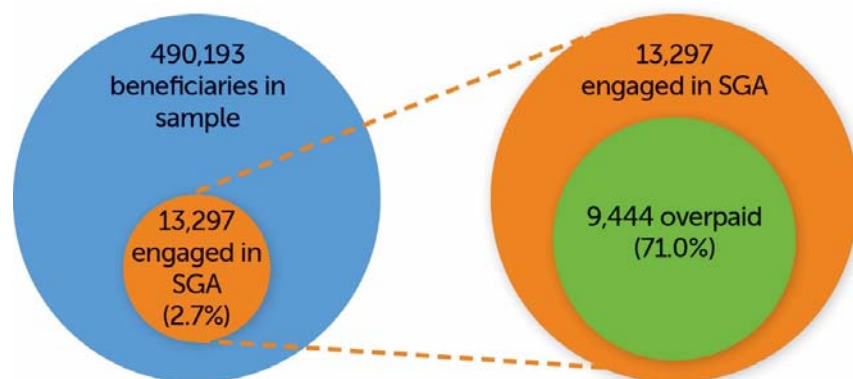
Work-related overpayments occur when SSA pays benefits during months when benefits should be suspended or terminated for work. Overpayments may occur because (1) SSA does not receive information about beneficiaries' earnings timely or (2) SSA does not process the earnings information it receives timely. Beneficiaries are obligated to repay their overpayment

debt to SSA, unless the beneficiary successfully appeals or is granted a waiver of the overpayment. The SSA OIG (2015) found that, of all the overpayment debt (for all reasons) in their study, after 10 years, 21 percent was waived or cancelled and 26 percent was still outstanding.

### 3. Results

From January 2010 through December 2012, only 2.7 percent of DI beneficiaries were at risk for overpayments because they engaged in SGA after TWP and grace period completion (Figure 1). Hence, the share of beneficiaries with a work-related overpayment in the same period can be no larger than 2.7 percent. In fact, it was 1.9 percent, implying that 71 percent of beneficiaries who engaged in SGA and were at risk for overpayments during the period were overpaid (Figure 1). The incidence of overpayments among those who first engaged in SGA and became at risk for an overpayment during the three-year period was higher, about 80 percent.

**Figure 1. Estimated proportion of beneficiaries who engaged in SGA and were overpaid in 2010–2012**

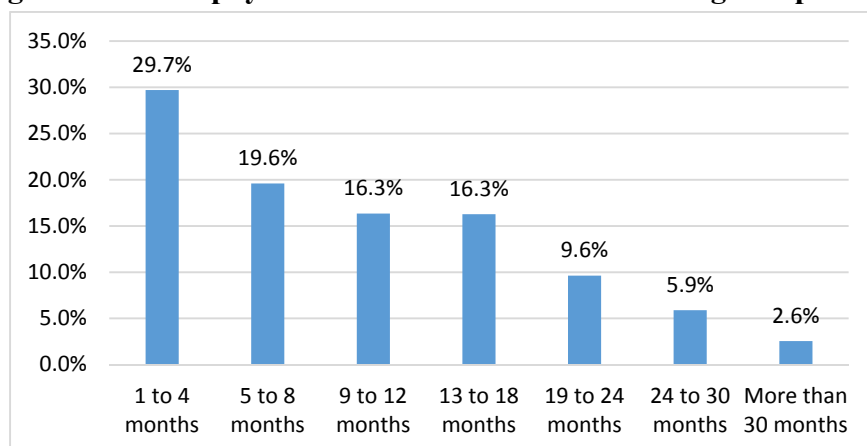


Source: Author's calculations based on the 2016 Disabled Beneficiary and Dependents

We estimate that nearly half of beneficiaries experiencing an overpayment are overpaid for less than nine months (Figure 2). Approximately 30 percent of overpaid beneficiaries in our sample were overpaid for one to four months and an additional 20 percent were overpaid for five to eight months. The balance of beneficiaries—slightly more than half of the sample—were overpaid for nine or more months. Nearly one-third of all overpaid beneficiaries in our sample were overpaid from 9 to 18 months, and about 8.5 percent experienced overpayments for two or more years.

Among those overpaid, the range of overpayments roughly mirrors the range of overpayment months. This is because the total overpayment amount is usually the product of the duration of the overpayment and monthly benefit amount. In 2010, the median monthly benefit amount was \$1,073 (SSA 2011b). About half of overpaid beneficiaries in our sample had overpayments larger than \$9,282. Only five percent of overpaid beneficiaries had overpayments that were less than \$928 while only five percent of overpaid beneficiaries had overpayments that were more than \$34,366.

**Figure 2. Range of total overpayment months in 2010–2012 among overpaid beneficiaries**



Source: Author’s calculations based on the 2016 Disabled Beneficiary and Dependents

#### 4. Discussion

Our results indicate that work-related overpayments are common among working beneficiaries at risk for overpayments, and these overpayments can be large relative to DI benefit amounts. Approximately 7 in 10 beneficiaries who were at risk for overpayments in 2010, 2011, or 2012 received a work-related overpayment over the same period. An even higher proportion—8 in 10 beneficiaries—who first became at risk during the three-year analysis period were overpaid. Half of those overpaid were overpaid for at least nine months, and half experienced overpayments in excess of \$9,000, reflecting the fact that the median monthly benefit during this period was somewhat larger than \$1,000. The amount of overpayments ranged widely, from less than \$1,000 in about 5 percent of cases to more than \$34,000 in another 5 percent.

Many overpayments can be attributed, at least in-part, to the fact that most working beneficiaries do not report their earnings to SSA timely. In 2010, roughly 75 percent of working beneficiaries failed to report their earnings to SSA (authors’ calculations based on SSA 2011a). Instead, SSA discovered unreported earnings through a review of Internal Revenue Service (IRS) data. IRS earnings data are based on tax filings generally due in April of the following calendar year. According to SSA (2011a), the agency may not receive the data it needs for as long as 18 to 24 months after a beneficiary engages in SGA. Overpayments may continue to accrue while SSA awaits IRS data. The beneficiary may still be entitled to a monthly benefit check for up to one year of that time if the beneficiary has not yet completed his TWP and grace period; overpayments may accrue over the balance of the duration.

There are several potential changes that would help reduce the prevalence, duration, and size of overpayments caused by delayed SSA access to earnings information. SSA could conduct a more concerted effort to improve beneficiary awareness of the earnings reporting requirements and processes. Currently, beneficiaries are notified of the DI reporting requirements upon initial benefit approval and in an annual letter. SSA could consider changes in the frequency and type of communication about earnings reporting to beneficiaries. DI beneficiaries who are aware of the requirement may report their earnings by visiting their local SSA office or calling the local office or a toll free number. In accordance with the *Bipartisan Budget Act of 2015*, SSA is also planning to implement an electronic earnings reporting system for DI beneficiaries by the end of 2017 (SSA 2016). The additional reporting mechanism may facilitate reporting among working

DI beneficiaries. Another option is for SSA to access a timelier source of earnings information than what is currently available from IRS data. SSA has announced plans to use quarterly information on earnings from the National Directory of New Hires (SSA 2016). This may accelerate identification of unreported earnings by up to one year compared to reviews of IRS data.

Overpayments may also be caused or compounded by delays in SSA's processing of earnings information. SSA has made a deliberate effort to reduce overpayments by improving its processing of earnings information. For example, in 2013, SSA scaled up a pilot program to prioritize the processing of earnings information for cases expected to have the largest overpayment, based on a predictive model (SSA 2013). This effort appears to be effective and, in combination with SSA efforts to get more timely earnings information, may lead to a decrease in the prevalence and size of work-related overpayments.

If SSA's current and pending efforts to reduce overpayments are successful, overpayments may become less problematic for beneficiaries who are pursuing employment and self-sufficiency. If not, further steps may be needed to minimize overpayments and ensure that they do not derail beneficiary work efforts.

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