

## Disability Policy Brief

Marisa Shenk and Gina Livermore

# Work-Related Overpayments Among Disability Beneficiaries

### Abstract

Some federal disability beneficiaries who work—particularly those who work above the substantial gainful activity (SGA) level set by the Social Security Administration (SSA)—might have their benefits suspended retroactively and, as a result, receive cash benefits that they are not owed. This is referred to as an overpayment. In this brief, we examine the prevalence of overpayments among recently employed beneficiaries, whether those who experience overpayments change their work activity in response, and whether awareness of key work incentive provisions in disability programs is associated with the likelihood of experiencing an overpayment. We found that overpayments are uncommon among all recently employed beneficiaries, and relatively few who experienced them say they changed their work activity in response. Awareness of key earnings-related provisions was not associated with the likelihood of experiencing an overpayment. However, among the group most at risk of an overpayment—those experiencing a benefit suspension—anticipation of the suspension was associated with a reduced risk of overpayment.

### Background

#### SSI and DI program rules on earnings

Supplemental Security Income (SSI) and Social Security Disability Insurance (DI) offer income support to adults who cannot work because of a significant health condition. To qualify for either program, an applicant must demonstrate an inability to engage in substantial work due to a medically determinable impairment expected to last at least 12 months or result in death. SSA defines substantial work (referred to as SGA) for most individuals as monthly earnings of more than \$1,310 (in 2021).

Although initial eligibility for DI and SSI is contingent on limited earnings and the same medical criteria, the programs differ in how they use earnings to determine monthly cash payments and ongoing eligibility.

Under DI, individuals can work and earn at any level for nine months without losing eligibility for DI cash benefits. This nine-month period is referred to as the trial work period. If individuals earn more than the SGA level in any month after completing the trial work period, they enter a 36-month extended period of eligibility and become ineligible for any DI cash benefits. They may then resume them in any month during the extended period that beneficiaries do not earn above SGA. After the extended period of eligibility, SSA terminates DI cash benefits if the individual is working above SGA.

In the SSI program, monthly payments decline by \$1 for every \$2 of earnings after \$65 of earnings and a \$20 per month general income exclusion; thus, SSI payments can decline with very low levels of earnings, but only gradually as earnings rise.

SSI program provisions allow participants to earn above the SGA level and remain eligible for SSI (Section 1619[a]) and Medicaid (Section 1619[b]) benefits even after SSA suspends SSI payments because of earnings.

In addition, DI and SSI have other provisions to help beneficiaries return to work. Most allow beneficiaries to remain eligible for Medicare or Medicaid and keep more of their cash benefits while working or preparing for work, but others provide resources to help beneficiaries improve their ability to work.

### **Employment and overpayments**

Many SSI and DI beneficiaries work after entering the disability programs. About 22 percent of beneficiaries worked at some point during the first five years after entering the programs (SSA 2020), with those ages 18 to 29 being the most likely to have worked (41 percent). Despite employment being common, few SSI and DI beneficiaries work enough to leave the disability rolls; only about 5 percent had their benefits suspended for work, and even fewer had their benefits terminated for work during their first 15 years of participating in the programs (SSA 2020).

Among those whose benefits are suspended because of earnings, overpayments are common. One study estimated that about 70 percent of DI beneficiaries experiencing benefit suspension during a two-year period also experienced at least one month in which benefits were overpaid (Hoffman et al. 2019). On average, these work-related overpayments lasted more than nine months, and the median overpayment was more than \$9,000. Thus, overpayments are common and sizable among beneficiaries who work at levels that result in suspension of their DI benefits.

Among beneficiaries experiencing benefit suspension, overpayment rates were highest among those who were Black, had less than a high school education, and had low monthly benefits (Hoffman et al. 2019).

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### **Methods**

This analysis used data from the 2017 National Beneficiary Survey (NBS), which includes a large sample of SSI and DI beneficiaries who recently worked above the SGA level. The oversample of SGA earners is nationally representative of beneficiaries on the rolls in June 2016 who earned above SGA for three or more consecutive months during the six-month period before they were interviewed in 2017. This brief examines the overpayment experiences of a representative sample of recently employed SSI and DI beneficiaries who were on the disability rolls in June 2016. Respondents self-report information on overpayments. Recently employed beneficiaries (who were employed at interview, worked in past six months, or worked in the calendar year before the interview) were asked whether they had been asked to repay SSA because they were overpaid. For most analyses, restricting the sample to those who were recently employed resulted in a study sample of 5,372 individuals representing 1.9 million beneficiaries. We analyzed beneficiaries who were eligible for SSI and DI separately because the work-related provisions differ between the DI and SSI programs. Both sets of outcomes include those who were concurrently eligible for SSI and DI. We computed all statistics using the NBS weights and the adjusted standard errors used in tests of statistical significance to account for the NBS sample design. ▲

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### **Knowledge of work incentives and responses to overpayments**

Little is known about the extent to which beneficiaries who experience overpayments are knowledgeable about the relevant SSA work incentive provisions and how they respond after being notified of an overpayment. Qualitative studies of DI beneficiaries who received overpayments found that some were unaware of their responsibility to report earnings to SSA, the cutoff at the SGA level for earnings after the trial work period, and other provisions that could lessen the impact of overpayments, such as impairment-related work expenses (Kregel 2018; O'Day et al. 2016).

Some working beneficiaries choose to keep earnings below an amount that would trigger benefit suspension to avoid overpayments and needing to repay large sums. Beneficiaries report that overpayments are a source of frustration, fear, and anger (Gubits et al. 2013). However, there is limited evidence on the employment responses of beneficiaries after receiving overpayments. One study found that work at the SGA level declined in the months following an overpayment notification (Hoffman et al. 2020). Another found that about half of a sample of DI beneficiaries who experienced overpayments and subsequently sought benefits counseling immediately stopped working upon receiving the overpayment notice (Kregel 2018). Other qualitative studies found that some DI beneficiaries maintained or increased work after experiencing an overpayment (O’Day et al. 2016; Hoffman et al. 2017).

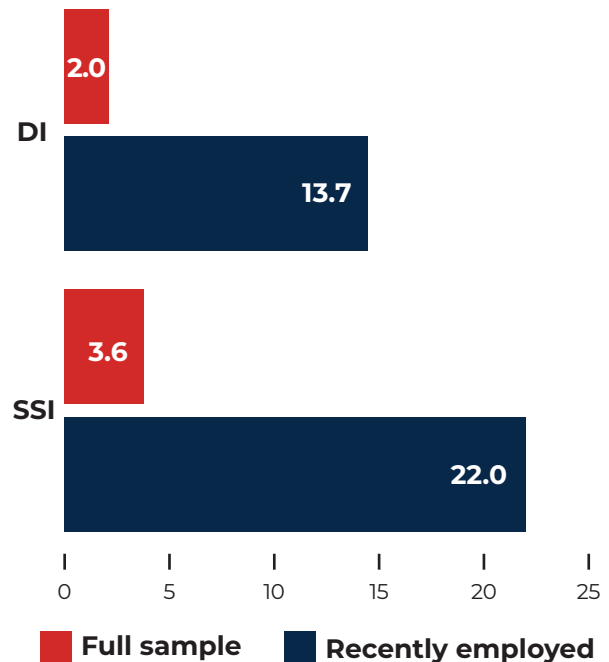
## Findings

### How common were earnings-related overpayments among recently employed beneficiaries?

About 16 percent of recently employed beneficiaries, representing slightly more than 300,000 beneficiaries nationwide, reported that they had been asked to repay SSA because they were overpaid.

This percentage is higher among DI beneficiaries (24 percent) than among SSI recipients (14 percent) (Figure 1). Because just 15 percent of beneficiaries were recently employed, the percentage who experienced an overpayment among all beneficiaries was small—2.4 percent.

**Figure 1. Overpayment rates by program, overall and among recently employed beneficiaries (percentage)<sup>a</sup>**



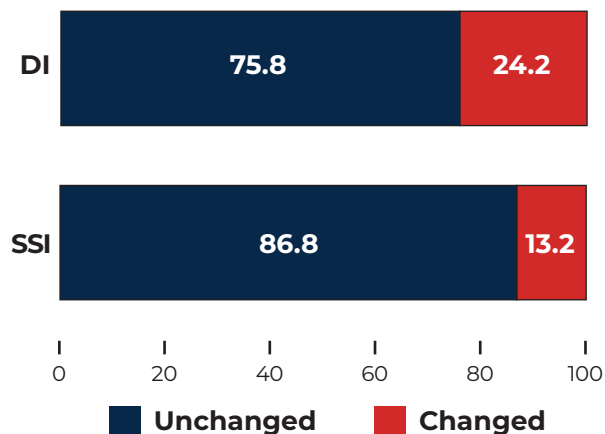
Source: 2017 National Beneficiary Survey, weighted data.

<sup>a</sup> Recent employment = employed at interview, worked in past six months, or worked in the calendar year before interview (2016).

### Do beneficiaries who experience overpayments report changing their employment in response?

Most beneficiaries said they did not change their employment effort in response to an earnings-related overpayment (Figure 2). About 24 percent of DI beneficiaries and 13 percent of SSI recipients who experienced overpayments reported changing their employment in response. Most who experienced an overpayment were employed at the time of interview (81 percent of DI and 74 percent of SSI beneficiaries, not shown).

**Figure 2. Employment change in response to an overpayment among recently employed beneficiaries experiencing an overpayment (percentage)<sup>a</sup>**



Source: 2017 National Beneficiary Survey, weighted data.

<sup>a</sup> Recent employment = employed at interview, worked in past six months, or worked in the calendar year before interview (2016)

### Is knowledge of SSA work incentives correlated with overpayment rates and employment responses to overpayments?

Beneficiaries who are aware of how SSA uses earnings to calculate benefits might be more likely to report their earnings to SSA as they accrue, to avoid overpayments. Among those who are overpaid, lack of awareness of the provisions might prompt changes to employment in response to the overpayment for fear of unexpectedly experiencing benefit loss.

To test whether awareness of the provisions related to retention of cash benefits was associated with the likelihood of experiencing an overpayment and a change in work effort

after an overpayment, we estimated regression models predicting those outcomes. The models included variables representing awareness of (1) the DI SGA rule and (2) the SSI earned income exclusion.<sup>1,2</sup> After controlling for other personal characteristics, awareness of these provisions was not associated with the likelihood of experiencing an overpayment among all recently employed beneficiaries. There also was no association between awareness of these provisions and employment changes in response to an overpayment.

Among those who experienced a benefit suspension—the group most at risk of an overpayment—anticipating the suspension was associated with experiencing an overpayment as well as with resuming benefits after a suspension. Among DI beneficiaries, anticipating the suspension was associated with a 12-percentage point lower likelihood of experiencing an earnings-related overpayment but was not associated with resuming benefits after controlling for other characteristics. Among SSI recipients, the opposite was true; anticipating a suspension was associated with an 11-percentage point lower likelihood of benefit resumption but was not associated with the likelihood of experiencing an overpayment. In other analyses (Shenk and Livermore 2021), we show that awareness of key earnings-related provision is associated with a greater likelihood of reporting earnings to SSA and anticipating a benefit suspension among those who experience them. Thus, for a group highly likely to experience an overpayment, awareness of program provisions regarding work appears to be associated with the chances of an overpayment through beneficiaries’ anticipation of a benefit suspension.

<sup>1</sup> The SGA rule question posed of respondents was as follows: “Most people receiving Social Security disability benefits will lose their cash benefits if they work and earn more than \$1,170 in a month for more than nine months. Is this something {you/NAME} knew before today?”

<sup>2</sup> The earned income exclusion question posed of respondents was as follows: “{Have you/Has NAME} ever heard of the earned income exclusion or the 1 for 2 earnings exclusion? This is a Social Security incentive where one-half of {your/a beneficiary’s} earnings over \$85 are not counted when Social Security figures {your/the} benefit.”

## Discussion

Overpayments occurred for nontrivial shares of recently employed beneficiaries. Most beneficiaries who experienced an overpayment reported that they did not change their employment effort in response. Awareness of the key provisions was not associated with either the likelihood of experiencing an overpayment or with changing employment in response to an overpayment among all recently employed beneficiaries. However, among those who experienced a recent benefit suspension, awareness was positively associated with anticipating the suspension, and anticipating the suspension was negatively associated with experiencing an overpayment and with resuming benefits after a suspension.

There also was no association between awareness of these provisions and employment changes in response to an overpayment.

Although it is difficult to separate the direction of the relationships, because the survey data do not tell us whether beneficiaries became aware of key provisions before or after they experienced overpayment, the data provide some evidence of the role of awareness through the information we have on beneficiaries' anticipation of a suspension.

The findings suggest that awareness of key provisions helps beneficiaries anticipate that SSA will suspend their cash benefits when their earnings reach a certain level, and anticipation of a suspension along with being more aware of the program rules is associated with a greater likelihood of reporting employment to SSA and a smaller likelihood of experiencing an overpayment.

This brief is one of two research briefs about the overpayment and benefit suspension experiences of recently employed SSI and DI beneficiaries. The companion brief focuses on benefit suspensions. The information is intended to help SSA and policymakers better understand the experiences of working SSI and DI beneficiaries. Complete findings are available in Shenk and Livermore (2021).

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