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# Social Security Benefits and Employment

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## Utilizing Social Security Incentives That Allow You to Develop Earnings while Protecting Your Level of Monthly Income

In recent years, much focus has been placed on planning the transition of individuals from a school setting to the working world beyond school. It is a major concern for those who are receiving monthly cash benefits from the Social Security Administration (SSA) to protect what income has been acquired up to this time, and to understand how additional income and becoming self-sufficient changes Social Security benefits.

The Social Security programs themselves can be confusing. "How do I qualify for benefits?" "How does each program work with earned income?" "What happens if I start working, or if I do, what if I need to stop?" "What about my health-care needs? I cannot afford to lose them!" Many myths surround going to work and its impact on social security benefits. This article is provided to offer some clarification of these somewhat confusing and multifaceted programs in Indiana.

### The Two Programs Providing Cash Benefits

The first step is to understand that there are two similar-sounding, yet very different programs providing Social Security cash benefits to individuals with disabilities. It is important for individuals and for their families to understand the type of cash benefit the individual is receiving to best develop a plan for employment. (See Attachment)

The first program to be discussed is **SSDI (Social Security Disability Insurance)**. SSDI provides cash benefits to persons who are either disabled or blind and who qualify for 'Insured Status' through work contributions made to Federal Insurance Contribution Act (FICA). Payment from these contributions are derived from a part of the taxes paid by an individual who is 1) either working, or has worked in the past, or 2) is drawing benefits as a dependent from another individual who has contributed to the FICA fund. This program is a federal program. The premise of SSDI works like that of an insurance company. Through employment and payroll deductions, payments to "insurance premiums" are made until at some point an individual has a need to collect. Everyone who reaches retirement age will draw from SSDI. A worker who becomes disabled or who has had a life-long disability may

be able to draw as a beneficiary from this program at an earlier age if he qualifies under the Social Security Administration as an individual with a disability. The focus with this program will be on the incentives encouraging individuals with a disability to become more self-sufficient through predictable steps.

The second program is called **SSI (Supplemental Security Income)**. This program provides cash assistance to those persons with disabilities who have limited income and few resources. It is a program designed to insure that every eligible individual has at least a minimum amount of income to provide food, shelter and clothing. The minimum amount (called the Federal Benefit Rate) is adjusted annually and is funded through the general tax revenue which is a funded by a mix of both federal and state dollars. For this reason, benefits under this program vary somewhat for each state. Children may qualify under this program; however discussion here will focus on individuals who have reached the age of 18. It is at this time that the Social Security Administration re-determines eligibility for these recipients, as the definition of eligibility changes at that time.

**For an adult, age 18 or older, SSA defines a disability as:**

The inability to engage in any substantial work activity (SGA) because of a medically-determinable physical or mental impairment(s) which:

- a) is expected to result in death, or
- b) has lasted or is expected to last for a continuous period of not less than 12 months.

The physical or cognitive impairments an individual may experience in daily life therefore isn't considered in determining eligibility; only the disability's effect on the individual's ability to work. While receiving these benefits, the Social Security Administration will do periodic reviews to ensure that the disability is neither progressing nor subsiding regarding the need for supplemental income.

## **A Look at SSDI**

This program has several incentives designed to allow the entitled beneficiary to develop a work history and experience before cash benefits are effected.

**Trial Work Period (TWP)** - This first work incentive allows the beneficiary to work to their maximum potential as they begin employment. Regardless of the amount earned in this initial period, there is no effect on benefits. Any month in which the annually indexed amount is achieved (\$ 720 per month for 2011) is counted as a Trial Work month. The beneficiary is allowed 9 Trial Work months (not necessarily consecutive) within any 60 month period before this incentive is complete. From this incentive, the beneficiary enters the second incentive.

**Extended Period of Eligibility (EPE)** – Following the final Trial Work month, this work incentive covers the next consecutive 36 months. The EPE is in place to continue security for the individual as earnings become consistent and are anticipated to increase. At this stage of employment, the next income threshold level is set. This threshold is called Substantial Gainful Activity (SGA) and is also adjusted annually (\$1,000 per month for 2011). Throughout the EPE, in any month that the threshold level is not achieved in earnings, the individual is entitled to the cash benefit. In months where the threshold is achieved, the individual does not receive the payment.

**Substantial Gainful Activity (SGA)** - Whether an individual is producing an income at a level determined to be actual SGA, is a decision by the Social Security Administration. Actual SGA is determined through meeting an annually indexed threshold level of *consistent, countable* earnings. This decision is based upon a combination of the level of work activity and the earnings achieved by the individual receiving benefits. Until the threshold is exceeded in earnings, the Social Security Administration will not even consider the potential for actual SGA being developed. Beyond the Trial Work Period, once an SGA decision is made, the individual is entitled to three grace period months with payment before benefits are either suspended within the EPE or terminated beyond the EPE.

**Subsidies** - Once earnings exceed the SGA threshold level, this incentive allows for accommodations being *provided by the employer* to ensure employment of the individual. The value of these special allowances can be deducted from the countable earnings when SSA is considering an SGA decision. Examples of this incentive may be more frequent breaks, specialized equipment, carved or assisted job descriptions or an accepted limited level of productivity with no repercussions in earnings. This means that the individual's earnings may be above the threshold with still no effect on the cash benefit.

**Impairment Related Work Expenses (IRWEs)** – This incentive, like the subsidies, can reduce the countable portion of earnings considered in an SGA decision. The expenses considered in this incentive, however, deal with the extra-ordinary costs paid by the individual with the disability which are 1)not reimbursed by another source, 2)are required to continue employment, 3)are related to the disability, 4)are paid in the month the individual is working, and 5)is paid at a reasonable expense. IRWEs may include expenses for medications, specialized transportation, or continued maintenance costs for personal equipment such as wheel chairs, hearing aids, etc. Any expenses must be approved by the Social Security Administration before they are used as IRWEs to reduce the countable income.

**Extended Medicare Coverage (EMC)** - Healthcare is a major concern for individuals receiving SSA benefits. For an individual receiving Medicare benefits, those benefits continue through the timeframes explained to this point. The extended period encompasses time beyond development at the SGA level and working their way off of benefits. Medicare coverage will continue for individuals who continue to qualify for SSDI benefits for at least 93 months beyond completion of the Trial Work Period. This timeframe often protects the individual through the waiting period before employer provided coverage begins.

**Expedited Reinstatement of Benefits (EXR)** – This additional “safety net” is a benefit providing longer term protection. Once an individual successfully works his way off of benefits and is self-sustaining, should there be a relapse or chronic turn of the listed disability preventing work at a level above SGA within a 5 year period; the individual can reinstate their benefits without needing to go through the entire application process again. Provisional payments can be paid for 6 months while a review of the case is being completed.

## A look at SSI for Indiana Residents

The work incentives of this program are crafted to continue to adjust the individual's benefits as a work history is developed. The annually-indexed minimum income for an individual (\$674 per month in 2011) or a married couple in a household (\$1,011 per month in 2011) is used as a base benefit rate. The difference in the individual's earnings and this base amount determines the SSI cash benefit, thus the benefit amount changes monthly to reflect this adjustment.

**Income Exclusions** – The first work incentive under this program is an allowance for working individuals. There is a General Income Exclusion (\$20 in 2011) and an Earned Income Exclusion (\$65 in 2011) from the monthly gross income. Beyond this subtraction, only half of the remaining income (earned and unearned) is compared to the base rate. This ensures a minimum monthly income for an individual before the SSI payment discontinues.

**Impairment Related Work Expenses** – The IRWEs explained above are also recognized under the SSI program. The expenses, under this program, reduce the *countable* earnings for the month when SSA determines the benefit payment.

**Student Earned Income Exclusion (SEIE)** – This incentive allows the individual to exclude limited earnings (\$1,640 monthly with \$6,600 max. annual in 2011) while continuing education. It applies to those in full time education through age 22.

**1619(b) Protection** – This section of the Social Security Act states that individuals whose adjusted SSI payment is reduced to no supplement (\$0.00) due to the amount of their earnings continue to be eligible, but not entitled for a cash benefit payment, as long as they otherwise qualify for SSI. This same provision allows SSI cash benefits for these individuals to resume in any month that earnings fall below this “Break Even Point”. This incentive also protects the individual’s Medicaid with no spend-down even after your cash benefit stops due to earnings.

**Blind Work Expenses (BWE)** – Individuals who qualify as Statutory Blind can exclude income related to their disability that may or may not directly relate to their employment. Statutory Blindness is defined as less than 20/200 vision in the better eye with corrected vision or a vision range of less than 20 degrees.

**Plan for Achieving Self-Support (PASS)** - An individual may qualify for this individualized work incentive if there is need to set aside income and/or resources specifically for educational, vocational, or start-up costs to develop an occupational goal. Dollars designated to a PASS plan reduce countable income. The goal and the plan for achieving that goal must be approved by the Social Security Administration.

**Individual Development Accounts (IDAs)** – Special savings plans that use matching federal and state funds may be another option of setting aside income that is not considered when determining the individual’s benefit amount. Assistance with developing a qualifying IDA is available upon request through the Community Work Incentives Coordinator (CWIC).

**Property Essential for Self-Support (PESS)** – For individuals with disabilities who are self-employed, this incentive excludes equipment necessary for the business that would otherwise be considered as a resource.

Depending on the individual, other state and federal programs will be affected due to the increased income within the household. How these factors will impact the plan of action is best determined through an interview process with a benefits information liaison and the BIN network. Information must be gathered specifically relating to the individual’s current situation and history.

Additional information and access to the BIN network can be obtained through connecting with Vocational Rehabilitation through your local Family and Social Services Administration Office. You can find your local office by visiting the website at: <http://www.in.gov/fssa/ddrs/2760.htm>.

Contact information for a Community Work Incentives Coordinator (CWIC) who services the part of the state in which the beneficiary lives is available at Indiana Works:

<http://www.iidc.indiana.edu/disabilitybenefitsandwork/workincentivescoordinators.htm>.

Work Incentive Seminar Events are an opportunity to meet the CWICs and to learn more about these benefits across the state. Events are currently posted at:

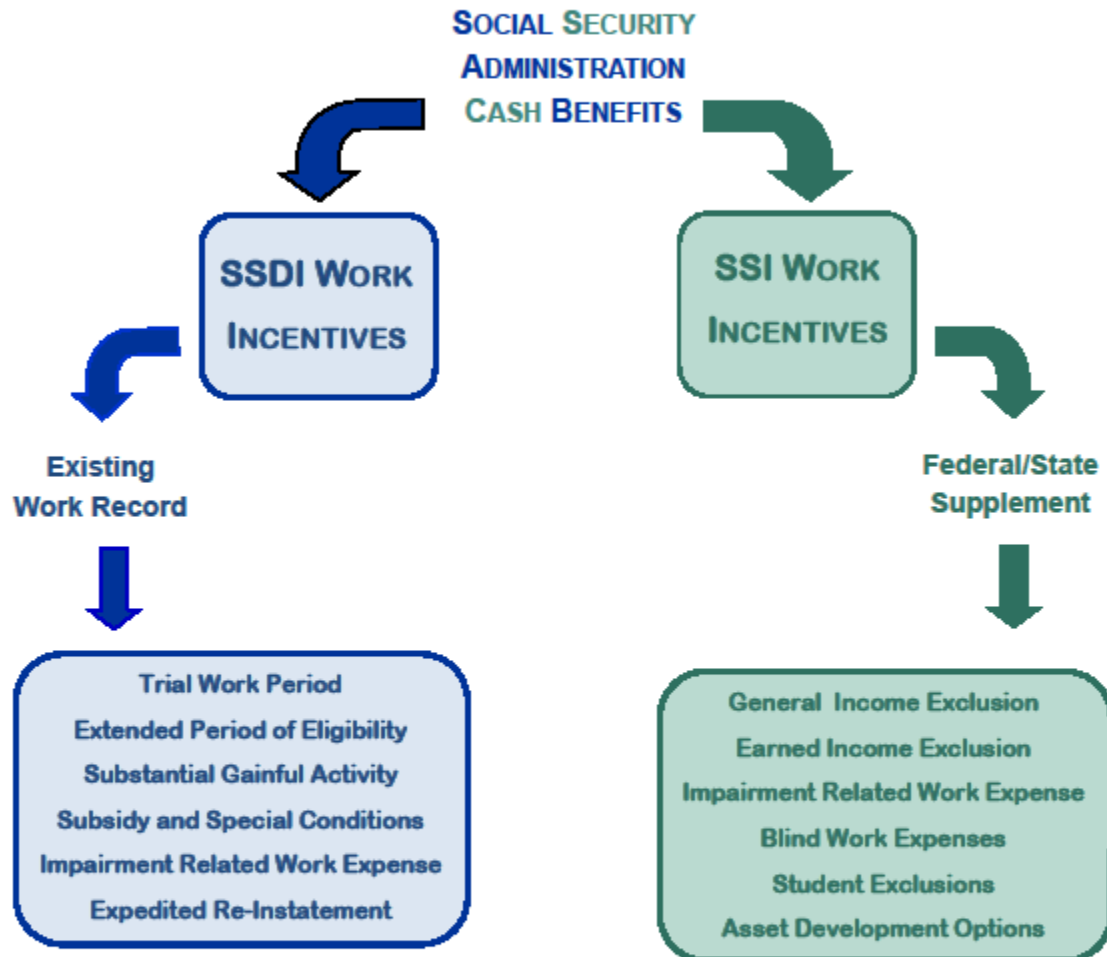
[http://www.chooseworktw.net/wise/page/wise\\_default.action](http://www.chooseworktw.net/wise/page/wise_default.action).

If you have any questions regarding this article or work incentives, please contact: Brian Ketzner at [bketzner@indiana.edu](mailto:bketzner@indiana.edu) or phone (812) 855-6508.

## References

Social Security Administration (2011). 2011 Red book: A summary guide to employment supports for persons with disabilities under the Social Security Disability Insurance and Supplemental Security Income programs. Retrieved from: <http://www.ssa.gov/redbook/eng/introduction.htm>.

## SOCIAL SECURITY WORK INCENTIVES FOR INDIVIDUALS WITH DISABILITIES



Developed to conceptually illustrate the two separate cash benefit programs with specific basic work incentives associated to each program. Additional incentives and benefits exist under each program, but are not reflected here. Further information can be found at <http://www.socialsecurity.gov/redbook/> or by contacting your local Family and Social Services Administration (FSSA) office.

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- ◆ Early intervention and education;
- ◆ School improvement and inclusion;
- ◆ Transition, employment, and careers;
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- ◆ Autism spectrum disorders;
- ◆ Disability information and referral;
- ◆ Planning and policy studies; and
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