

## **Recommended Changes to the Employment Network (EN) Payment Process for Self-Employed Ticket-Holders**

**March 2010**

### **Background information**

For many Ticket holders, self-employment provides the greatest opportunity to achieve self-sufficiency given their conditions for employment. To meet this need, a number of ENs have taken Tickets and established an employment plan for those pursuing a self-employment goal. Given the unique differences in how self-employment income is verified by SSA, in comparison to wage employment, ENs have found they must wait longer for payments. This serves as a disadvantage to existing ENs, and dissuades providers with self-employment expertise from pursuing the option of operating as an EN and offering services to Ticket holders.

As a result, there are few ENs willing and able to assist beneficiaries whose path to self-sufficiency includes self-employment.

### **Current process**

Currently, when an EN works with a beneficiary pursuing self-employment, they establish an Individual Work Plan (IWP) just as they do with a beneficiary pursuing wage employment. Once the plan is in place, the EN provides services as outlined in the plan, just as they do with a beneficiary pursuing wage employment. The procedures begin to differ when an EN wishes to request Phase 1 Milestone payments.

Currently, to receive a Phase 1 Milestone payment, once a self-employed beneficiary has earned above the appropriate amount, an EN must;

- (1) First gather monthly self-employment income information from the beneficiary.
- (2) Since legal evidence of earnings (tax return for self-employment activity) isn't available, the Certification Payment Process must be used. To use this process, the EN completes the "EN Payment Request Form", noting that they choose the Certification Payment Request option. The EN submits, as an attachment, the "Self-Employment Income (SEI) Form" which lists three months of self-employment income information the EN gathered from the beneficiary. These two forms are submitted to Maximus to request payment(s).
- (3) The EN will verify that the beneficiary or the EN sent a copy of the beneficiary's SEI form to the local SSA office.

- (4) Once Maximus receives the “EN Payment Request Form” and the attached “Self-Employment Income (SEI) Form”, they review the documents for authenticity and then submit the payment information to SSA with a recommendation for payment to be authorized, or further action to be taken.
- (5) Since there is no third party source of information to verify that the self-employment income (SEI) reported on the “Self-Employment Income Form” is legitimate, as can be done with wage employment, SSA currently waits for the beneficiary’s earnings to be developed and verified by the local offices before issuing payments to the ENs. All SE payments are certification payments that are subject to be cross referenced with IRS actual postings of annual NESE to the beneficiary’s record. Any overpayments uncovered during the verification process are addressed using the standard EN overpayment process (full payment, offset future payments, or installments.)

For a number of reasons, it can take between 9-15 months for the beneficiary’s self-employment activity to be developed and posted. For SSI recipients, the process is automatically delayed because under the current policy their self-employment earnings aren’t supposed to be posted as verified until the recipient provides a copy of the IRS tax form for their business activity (schedule C, C-EZ, etc.) or until the IRS posting of self reported earnings. For SSDI beneficiaries, SSA does not generally evaluate their work activity each month. Rather, when a beneficiary first begins earning over Trial Work level or Substantial Gainful Activity their work activity will be evaluated. At this point a diary date (such as the date the person is scheduled to finish their Trial Work Period) will be set to evaluate the work activity again. Since these dates generally won’t necessarily coincide with the dates the beneficiary will achieve various Milestones, the local office isn’t going to review and develop the work activity when it is needed for the sake of EN payments. In addition to these infrastructure dynamics, there can also be a delay in processing the report of work activity simply due to workload issues.

### **Recommendations**

A workgroup (comprised of ENs, advocates, SSA personnel, and work incentive specialists) reviewed the nuances of the current process and the issues at hand. Taking that into consideration, the workgroup identified a set of recommendations for changes to the EN payment process for self-employed beneficiaries. The recommendations are as follows:

#### **Self-Employment Income Ticket Payment Pilot Program:**

Conduct a one year pilot program to assess the effectiveness of an alternate payment process that would allow Phase 1 Milestone payments to be made to ENs prior to having the beneficiary’s official self-employment tax returns or the beneficiary’s self-employment activity posted on their record. If the EN is ineligible for some of the Phase 1 Milestones due to the ticket holder's 18 month look back period or previous VR involvement, then some of the Phase 2 Milestones may be made available in the manner noted below.

The pilot would operate as follows:

The initial steps for requesting a payment would remain the same as they are now:

- (1) The EN would gather self-employment income information from the beneficiary.

- (2) When the beneficiary has demonstrated earnings that meet the criteria for one or more of the Phase 1 Milestone payments, they would complete an “EN Payment Request Form”. On the form they would note the Certification Payment Process is being requested and would submit a “Self-Employment Income (SEI) Form” along with the payment request form to Maximus.
- (3) The EN will encourage the beneficiary to report their self-employment income to the local SSA office.
- (4) Once Maximus receives the “EN Payment Request Form” and the attached “Self-Employment Income (SEI) Form”, they will review the documents and submit the payment information to SSA

This is the point in the process that differs from the current process:

- (5) For those ENs who have been authorized to participate in the pilot, SSA will authorize payment based on the “Self-Employment Income (SEI) Form” that is provided by the EN if the beneficiary reported self-employment income at a level of 1.5 times the current Trial Work level (for all 4 Phase 1 Milestone payments, and only for those participating in the pilot project).
- (6) Pending SSA internal operations approval, the following step may change: For SSDI beneficiaries only, to be paid for Phase 1 Milestone 4, the EN will need to complete and submit a self-employment packet (that will be provided to them) as part of requesting that payment. This packet will include SSA-820 (SSA’s self-employment work activity form). The EN will direct the Social Security Disability Insurance beneficiaries to complete and sign the form as a part of completing the packet. Once the packet is returned, SSA will forward the 820 to the appropriate SSA office to facilitate the beneficiary’s work continuing disability review.
- (7) No Phase 2 Milestone payments will be paid until the Phase 1 earnings are developed and verified.

The purpose for the earnings being 1.5 times the Trial Work level to receive payment in this pilot is to allow for a reduction in NESE when the beneficiary files their tax return (generally due to the inclusion of additional expenses, deductions, depreciation, etc). This cushion is intended to help prevent overpayment to ENs.

Criteria for participation in the pilot program:

Participation in the Self-Employment Income pilot program will be voluntary for ENs. Those ENs that choose to participate must meet the following criteria:

- The EN must be approved by the Payment Integrity Team to participate, and
- The EN must have an acceptable overpayment history, and

*They must have no outstanding overpayment issues (if overpayments occurred, there must be a repayment plan in place and being followed) or excessive overpayments given their overall payments.*

- The EN must not be the employer of or contractor to the Ticket holder, and
- The EN must meet any two of the following:

- Be a non-profit or service-oriented organization.
- Have at least \$24,000 in Ticket revenue in the last 12 months.
- Have at least 10 assigned and active Tickets.

SSA will collect data about payments made in the pilot program. The data will be analyzed to determine the effectiveness of the revised procedures. As information becomes available, it will be shared with the workgroup. The workgroup will reconvene in April 2010, and quarterly thereafter to discuss the pilot, review the previous quarter's results and recommend modification and whether the pilot should continue or cease.

### **Additional Recommendations:**

For all self-employment cases, the workgroup makes the following additional recommendations:

- Modify the "Self-Employment Income (SEI) Form":
  - Revise the existing form to eliminate the word "quarterly" and make it a three-month form, so that ENs can use it to report SEI for any 1-3 month period.
- Create an option for an annual self-employment payment request process:
  - For those ENs who do not wish to gather, or can not gather, the monthly self-employment income information from the beneficiary, they can submit, once a year, an annual request for payment.
  - SSA will only issue payment(s) if earnings data has been developed and posted to the beneficiary's SSA record, and the earnings posted meet one or more milestone or outcome payment earning requirements.
- Require a business description to be attached to the Individual Work Plan (IWP) or submitted with the Phase 1 Milestone payment request:
  - For beneficiaries that are pursuing self-employment, when assigning the Ticket or submitting the Phase 1 Milestone payment request, an addendum must be provided (either attached to the IWP or the payment request form) that provides a description of the Ticket holder's business plan, as well as anticipated revenue and expenses. Plans which are deemed unsound or unlikely to be successful would not be approved.

### **Additional Self-Employment Ticket Payment Issues Identified Deferred to Separate Workgroup**

The following are additional questions the workgroup identified in the process of creating the recommendations for the EN payment process for self-employed Ticket holders. It is recommended that the workgroup defer these questions for a separate review involving SSA personnel in the Office of Employment Support Programs, Office of Income Security Programs, and Operations. The conclusions in this review will be shared with the workgroup and

participants in the Self Employment Income Ticket Payment Pilot Program and summarized in a self-employment guide for ENs and beneficiaries.

1. How is self-employment defined by the Ticket program?

- Does the Ticket program use the same criteria as the disability cash benefit programs do in determining whether a beneficiary is self-employed, or does a different criteria exist?

2. How is self-employment activity evaluated to determine if it meets a milestone or outcome payment trigger?

- Does the Ticket program use the same criteria as the disability cash benefit programs do in determining whether a beneficiary's self-employment activity is Trial Work level or not, which can include an evaluation of the number of hours worked in the business. Or does the Ticket program use a different criteria?
- Title XVI and Title II disability cash benefit programs calculate monthly self-employment earnings in different ways (i.e., SSI averages annual self-employment income by 12 despite the number of months the business was in operation, title II disability beneficiaries have their annual earnings evaluated on a monthly basis if possible and may be divided by a representative period-after the Trial Work Period-to determine monthly earnings.). It is not clear which method is applied to Title II, Title XVI, or concurrent beneficiaries for the purpose of evaluating whether the beneficiary has achieved a milestone or outcome level payment earnings.