

NASPE Eugene H. Rooney, Jr. Awards Nomination

“Disability Retirement Outreach Program”

Commonwealth of Pennsylvania

Contact:

James A. Honchar, SPHR, Deputy Secretary for Human Resources Management

Office of Administration

517 Finance Building

Harrisburg, PA 17120-0400

Phone: (717) 787-8191

Fax: (717) 783-4429

E-mail: jhonchar@pa.gov

SUMMARY

The Commonwealth of Pennsylvania established the Disability Retirement Outreach Program (DROP) in 2012 to help employees facing disability retirement understand and take advantage of all of the benefits to which they are entitled, while also reducing retiree health care costs to the commonwealth.

Many employees receiving disability retirement pensions through the State Employees' Retirement System (SERS) think that they are ineligible for Social Security Disability insurance (SSDi) or that it reduces their pensions. Through outreach, staff began contacting employees who apply for SERS disability retirement to educate them about SSDi early in the process, provide them with contact information for SSDi, and explain how SSDi benefits work in tandem with their pension and the commonwealth's Retired Employee Health Program (REHP) medical/prescription program.

The program is designed to help commonwealth employees like Kevin. In 2013, blindness forced Kevin to retire at age 55 and seek a disability pension from the State Employees' Retirement System (SERS). Kevin was unaware of the important Social Security Disability insurance (SSDi) benefit available to him. Through DROP, Kevin was able to learn about SSDi and receive income that would have otherwise been left "on the table." An employee like Kevin who retires more than a decade before being eligible for regular Social Security could receive well over \$100,000 in income through SSDi. Because non-Medicare REHP costs more than Medicare REHP, the commonwealth estimates that DROP will save it over \$28 million over the next 10 years. Employees contacted through DROP appreciate the one-on-one approach and support they receive from the commonwealth during what is potentially a very overwhelming and stressful time in their lives.

1. Please provide a brief description of the submission.

The Disability Retirement Outreach Program is a telephonic program that provides employees who apply for disability retirement pensions through SERS with the information and resources to apply for Social Security Disability insurance (SSDi), a program of which many employees are unaware. It has not only resulted in a cost savings for the commonwealth, but also financially benefits employees who ultimately are approved for SSDi benefits. Designed to take a personal and “hands-on” approach, the program assists employees who are likely facing a challenging, overwhelming, and stressful time in their lives. Many of the employees touched by the program not only express how thankful they are, but also note their appreciation for the fact that “the commonwealth cares.” The program also provides training and materials to SERS retirement counselors so that they can better assist disability retirees.

2. How long has the submission been operational?

The Disability Retirement Outreach Program has been operational since August 2012.

3. Why was the program created?

Under our current Retired Employee Health Program (REHP), retirees remain covered under our non-Medicare plan until they age-in to Medicare at age 65. The average age of a SERS disability applicant is 51.5 years. If they are approved for SSDi, these retirees can enroll in Medicare Parts A and B for primary coverage 24 months later, regardless of age. This reduces their time as a non-Medicare retiree from 13.5 to 2.0 years. Considering that the average annual cost of non-Medicare REHP per retiree is \$5,000 more than Medicare REHP, the potential savings of encouraging retirees to apply for SSDi, without factoring inflation, will be \$57,500 per disability retiree.

We reviewed disability retirement applicants for the prior five years and found that of 1,805 applicants, 414 (23 percent) were not yet enrolled in Medicare but would have met Medicare's 24-month eligibility waiting period based on their State Employees' Retirement System (SERS) application date. Driven by the opportunity for these retirees to increase their income and for the commonwealth to reduce its costs, our staff began contacting non-Medicare disability retirees to discuss their SSDi status. We found the following:

- many thought the SERS pension replaced SSDi, and they could not have both
- many thought SSDi benefits would reduce the SERS pension amount
- many had not given any thought to SSDi

Following the review, the outreach program was developed to dispel misconceptions and educate employees about SSDi.

4. Why is the program a new and creative method?

The program initiates contact with retirees to provide informational services via the telephone and gives a personal touch to providing assistance. Retirees are informed that there is no requirement on their part to apply for SSDi; the Disability Retirement Outreach Program is designed to ensure retirees understand their options regarding additional SSDi income. Because of the relaxed and focused nature of the calls, retirees feel comfortable to ask questions about SSDi.

5. What was the program's start-up costs?

The Disability Retirement Outreach Program added no start-up or ongoing operational costs. There are about 400 applicants per year, and an average phone call takes 15 minutes of staff time.

6. What are the program's operational costs?

See #5.

7. How is the program funded?

There are no funding requirements.

8. Did this program originate in your state?

We are aware of private companies that charge a fee for this service. We are not aware of any states that currently provide this outreach program to their retirees.

9. Are you aware of similar programs in other states? If yes, how does this program differ?

We are not aware of similar programs in other states.

10. How do you measure success of this program?

a. Quantitative measurements:

In the 18-month period between August 2012 and January 2014, 626 outreach calls were made to employees within days of their application for a disability pension. Of the 626 calls, 171 (27 percent) had no prior plan to apply for SSDi. During the calls, the staff provided SSDi contact information and answered questions about the interaction between the SERS disability pension and SSDi, and between the commonwealth's REHP and Medicare. Almost all of the retirees confirmed that following our call they would apply for SSDi benefits. The following is a statistical analysis of the 626 outreach calls placed during the initial 18 months of the program period:

- 114 (18 percent) had already applied
- 166 (27 percent) had not yet applied but had planned to apply
- 70 (11 percent) did not understand SSDi and had no plans to apply
- 101 (16 percent) had not thought at all about SSDi

- 13 (2 percent) had restrictions that only prevented work as corrections officers
- 162 (26 percent) could not be contacted or failed to return telephone calls

Projecting forward on an annual basis, we anticipate the outreach calls will help 114 retirees create plans to apply for SSDi when no plan existed prior to the call. If all of these retirees were then approved for SSDi, the projected 10-year savings to the REHP would be as follows:

| Calendar Year | Number Disability Retirees | Annual Cost for Non-Medicare Retiree (+7%/year) | Annual Savings |
|----------------------------------|--|--|-----------------------|
| Year 1 | N/A - Medicare 24 month waiting period | | |
| Year 2 | N/A - Medicare 24 month waiting period | | |
| Year 3 | 114 | \$5,000 | \$570,000 |
| Year 4 | 228 | \$5,350 | \$1,219,800 |
| Year 5 | 342 | \$5,725 | \$1,957,950 |
| Year 6 | 456 | \$6,125 | \$2,793,000 |
| Year 7 | 570 | \$6,554 | \$3,735,780 |
| Year 8 | 684 | \$7,013 | \$4,796,892 |
| Year 9 | 798 | \$7,504 | \$5,988,192 |
| Year 10 | 912 | \$8,029 | \$7,322,448 |
| Projected 10-year savings | | | \$28,384,062 |

*Assumes 114 new retirees enroll each year

**Assumes a 7 percent annual inflation trend

Under our current REHP program, retirees remain covered under our non-Medicare REHP until they age-in to Medicare at age 65. The average age of a SERS disability applicant is 51.5 years. An employee who retires more than a decade before being eligible for regular Social Security could receive well over \$100,000 in income through SSDi*.

| | |
|---|-----------|
| Monthly SSDi Income | \$1,148 |
| Annual SSDi Income | \$13,776 |
| Ten-Year SSDi Income (unadjusted for inflation) | \$137,760 |

*2014 figures per Nolo's Guide to Social Security

b. Qualitative measurements:

Nearly every one of the retirees expressed an unsolicited thank you that the commonwealth cared enough about its employees to place an outreach service call, and we have received follow-up calls from retirees telling us they've been approved for SSDi and how much they appreciated the outreach call.

11. How has the program grown and/or changed since its inception?

In February 2013, SERS Retirement Counselors at the commonwealth's seven regional offices were trained about SSDi and the Disability Retirement Outreach Program. This on-site training included talking points and informational flyers containing SSDi information that can be provided to disability applicants. Since this training, we have seen a five percent improvement in the number of retirees who were aware of SSDi and had plans to apply.

Moving forward, we will be implementing a follow-up letter to those retirees who could not be reached via phone, in an effort to ensure they receive information about the availability of SSDi benefits. As the program continues to grow and develop, we anticipate continued statistical improvement, and more importantly, that more and more retirees will benefit.