



## **SOCIAL SECURITY BENEFITS PLANNING**

### **Who needs benefits counseling?**

In order to receive federal cash or medical benefits, a person must meet the Social Security Administration's definition of disability:

“Disability is the inability to do any substantial gainful activity (SGA) by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.”

Once a person meets Social Security's criteria for disability they will be eligible for federal benefits and thus need Work Incentives counseling if they are:

1. over the age of 16
2. currently working
3. need to work
4. want to work.

### **Can Benefits Planners help Social Security beneficiaries who decide to earn an income?**

Yes. Even though a benefits planner does not help people with job skills assessment or with finding a job, they can refer them to a Disability Navigator at the Department of Labor. The Disability Navigator serves as an employment and resource support. Once someone is earning an income a benefits planner will help the person make more informed choices regarding their earnings through a benefits analysis and summary.

### **What are the risks of not doing benefits planning?**

When someone earns an income they run the risk that it will have an adverse effects on their federal cash and medical benefits. One risk is that they end up in an overpayment situation. An overpayment occurs when income and/or resources rise above allowable levels for benefits, yet the person continues to receive cash benefits. Often when someone should no longer be receiving cash benefits they will still receive a check erroneously. It is easy for a beneficiary to think that if they receive a check that they *should* receive it and thus, spend it. Often the funds are deposited directly into someone's account. Frequently SSA often continues sending cash benefits even if someone should not be receiving them. When this happens, a person can enter into an overpayment situation, and since it may take months for the SSA to become aware of it, the overpayment amount can accrue into the tens of thousands of dollars. Very few people on a limited income are able to pay back such exorbitant amounts. The good news is that a benefits planner can often help alleviate the overpayment, get rid of the overpayment altogether or if all else fails, negotiate a reasonable payment plan.

### **What if a beneficiary loses his or her medical benefits?**

If a beneficiary loses benefits, a benefits planner should perform a benefits analysis and summary. If earned income caused the loss of benefits, a benefits planner can help the beneficiary determine the best course of action for a solution. Depending on the type of cash benefit the person was receiving, they will most often qualify for one or several types of work incentives that will help them get their medical benefits back. The outcome will depend upon such things as: the type of benefits received, whether or not the person is able to fulfill all of their job duties, whether or not they have any out-of-pocket expense necessary to perform their job, whether or not they are a student, and in rare cases – whether they are saving for a purchase over a fixed period of time that will aid them in their vocational goals. Next year Montana will offer a Medicaid Buy-In for working beneficiaries that will allow them to purchase Medicaid at discounted rate.

### **What if a beneficiary is afraid of losing cash benefits?**

When a beneficiary is afraid of losing benefits, they should consult with a benefits planner in order to determine exactly how earned income will affect their benefits and what, if any work incentives will allow them to keep some or all of their benefits. Once a beneficiary receives an analysis and summary of their earned income or potential earned income, they will be able to choose whether or not they would like to work full time, part time or, in rare cases, not at all. Most of the time, once someone sees how work incentives will help them retain some or all of their benefits, a beneficiary has a much greater *incentive* to work.

## **SSI and SSDI - Why two systems and who gets what?**

Social Security Disability Insurance, SSDI, also known as Title II, is an insurance system the federal government created to help individuals who earned an income, paid Social Security taxes and became too disabled to earn an income any longer. In order to receive SSDI, a person must have a relevant work history or must have an immediate family member who has a relevant work history – spouse and former spouse (disabled widower), or parent (childhood disability beneficiary or disabled adult child). In very rare cases, a disabled parent can collect off of the child's SSDI account. Unearned income will have no effect on the amount of an SSDI check. For example, someone who becomes disabled and can no longer work can still receive SSDI even if they are also receiving other income, such as payment from a trust fund or dividends from an investment. The amount of SSDI benefit varies based on the relevant work income earned and when it was earned. SSDI is an all-or-nothing benefit. A beneficiary either receives all of their SSDI check or none of their check if they are earning above SGA.

SSI, on the other hand, deducts any amount of any kind of income even when earning below SGA. Supplemental Security Income, SSI or Title XVI, was created later to help individuals who did not pay into the Social Security system or who were not related to someone who paid into the system. SSI is best thought of as a “payer of last resort” because it will only pay when nothing else will. SSI, as its name suggests, is a supplement. As such, all income received impacts the SSI cash benefit amount. Amounts of SSI are based upon the federal benefit rate, or FBR, a standard amount determined on an annual basis. The FBR for 2009 is \$674 per month. The easiest way to differentiate between the two systems is to think of SSDI as “disability insurance” and to think of SSI as a “supplement” a last resort payer, or a “welfare” program.

## **What is the difference between Medicaid and Medicare?**

Essentially Medicaid is contingent upon SSI. When someone is eligible for SSI benefits, they are also eligible for Medicaid. Like SSI, Medicaid is a payer of last resort, and as such it is not accepted everywhere. Like other forms of medical coverage, it is important to find out whether or not Medicaid is accepted before you try to use it.

Medicare is contingent upon SSDI. When someone is eligible for SSDI they are eligible for Medicare. Medicare consists of four parts:

- A – Covers hospital stays
- B – Covers doctor services
- C – Private plans that replace A,B &D
- D – Prescription drug coverage

Medicare can have premiums, co-pays and significant out-of-pocket costs, depending on the individual case. Employment complicates eligibility, so it is critical that a beneficiary consult with a benefits planner. Some costs can be paid by other programs, like state programs, and a benefits planner will help a beneficiary determine eligibility and/or suggest savings programs that will help with the premium costs. The types of Medicare disabled beneficiaries receive are Parts A, B, and D. Parts A and B are federal coverage programs while Part D is a private coverage program. SSDI beneficiaries receive Medicare Part A for free. For Part B they incur a monthly premium – the current Part B premium amount is \$96.40. Because Part D is a private coverage plan, premium costs can be significantly higher. In order to get Medicare Part D, a beneficiary must be eligible for Part A and/or enrolled in Part B. There are federal savings programs available to help with Medicare premiums, and in Montana, Big Sky Rx may also help with Part D premiums. Medicare Part C is typically a program for retired beneficiaries and thus is not typically a consideration.

### **How will earned income affect a beneficiary's Supplemental Security Income benefits?**

Social Security Administration calculates SSI eligibility and cash benefits by taking into account earned income, unearned income, income disregards, resources, and work incentives. Most often when a person works their SSI cash benefits check will decrease in amount. Unearned income will decrease a cash benefit dollar for dollar, except for a General Income Disregard of \$20. Earned income will decrease a cash benefit by half of the earned income amount, unless Work Incentives are utilized. SSA will also disregard \$65 from Earned Income. There is a very specific way that a cash benefit amount is affected and calculated when an SSI beneficiary works, so it is important to consult with a Benefits Planner. With a signed Release of Information to a person's benefits information, a Benefits Planner will be able to calculate exactly how earned income will affect someone's SSI benefits.

### **Once employed will a beneficiary lose SSDI cash benefits right away?**

No. SSDI cash benefits will not be lost immediately- if ever. The federal government provides a program called the Ticket to Work that entitles a beneficiary to a Trial Work Period during which a beneficiary can earn an income *and* keep all cash benefits. The Trial Work Period consists of any nine (9) months in which a beneficiary earns over SGA (substantial gainful activity) over a five-year rolling period. So, a person could earn above SGA one month and below the next. The Trial Work Period allows beneficiaries to decide whether or not they think they are capable of working above SGA, and if they are, whether or not they think they can continue. While using Trial Work Period, a beneficiary is exempt from a continuing disability review. Once a person uses all of his or her trial work period months, that triggers a grace period of three consecutive months during which the beneficiary still receives cash benefits and earnings, but at the end of which cash benefits will terminate. This may sound alarming.

However, at any time during the next 36 months, the beneficiary remains in an extended period of eligibility, during which time their cash benefits will immediately be reinstated for any month during which they earn below SGA. At the end of the extended period of eligibility beneficiaries are still eligible for expedited reinstatement, a six-month period of provisional benefits if a beneficiary stops earning an income and their benefits were previously stopped due to earnings. They will be subject to a continuing disability review (CDR) and must continue to meet the SSA definition of disability in order to continue receiving benefits. If a person does not meet the SSA definition for disability in their CDR, they will not have to pay back the cash benefits received during expedited reinstatement. However, they will have to reapply for federal benefits.

### **How do work incentives apply to SGA and employment?**

Once a beneficiary uses all of the trial work period months and passes the grace period, cash benefits will stop if they continue to earn above SGA. However, if a beneficiary qualifies for an applicable work incentive they may be able to keep part or all of their cash benefit check, depending on eligibility and the amount of their earnings. A benefits planner will be able to identify applicable work incentives and whether or not a beneficiary will be eligible for them.

### **How can I contact a benefits planner?**

You can contact an AWARE, Inc. Benefits Planner by either calling them directly or calling

1-800-432-6145

**Jessica Karjala** is located in Billings, Montana, and can be reached at (406) 698-0636.

**Erin Miller** is located in Anaconda, Montana, and can be reached at (406) 563-8117.