COMPLETING THE PICTURE: KEY FEATURES OF THE SOCIAL SECURITY DISABILITY INSURANCE PROGRAM

Social Security Disability Insurance (SSDI), a program operated by the Social Security Administration (SSA), insures workers and their families against the inability to work because of a disability. As such, it provides a vital safety net for millions of Americans. However, conflicting statistics and differing perspectives on the program have given rise to a number of misconceptions about why it exists, whom it serves, and what it provides. In this brief, we summarize key features of the program and describe some of the salient issues policymakers will need to consider to address the projected depletion of the SSDI Trust Fund in 2016. We also discuss the eligibility criteria for the program, benefit levels, and beneficiaries' ability to work.

About 8.8 Million People Receive SSDI Benefits Based on Their Own Work History

On average, about 10 million people receive SSDI benefits. In June 2013, 8.85 million people who were eligible for SSDI based on their own work history received SSDI benefits (Table 1). In addition, disabled children over age 18 and some spouses qualify for benefits, even after the worker dies--more than 2 million additional beneficiaries in 2013.1 Beneficiaries can also receive SSDI benefits concurrently with Supplemental Security Income (SSI), a means-tested program that uses the same medical eligibility criteria.2 In April 2013, 1.6 million people with disabilities under age 65 received both SSDI and SSI benefits (SSA 2013).

<table>
<thead>
<tr>
<th>TABLE 1. SSDI Benefits: Number of Beneficiaries and Costs</th>
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<tr>
<td><strong>Number of Beneficiaries</strong></td>
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<td>Disabled worker</td>
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<td>Minor and disabled adult children of disabled workers</td>
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<td>Spouses of disabled workers</td>
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**SOURCE:** SSA Monthly Statistical Snapshot, June 2013.
The Eligibility Criteria are Stringent, but Their Implementation is Challenging

To be eligible for SSDI, applicants must satisfy both work history and medical criteria. The SSDI program is a social insurance program, so to be eligible, a person must either have contributed to the SSDI Trust Fund via their payroll taxes or be a dependent of a parent or spouse who has done so. When a worker cannot work because of a medical condition, the SSDI benefits are meant to substitute for his or her lost earnings. The amount of benefits a person receives is based on his or her earnings record.

The Social Security Act specifies a stringent criterion for SSDI medical eligibility. According to the statute, an applicant must be "unable to engage in any substantial gainful activity (SGA) by reason of any medically determinable physical or mental impairment(s) that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months." In practice, the stringency of eligibility depends on the standards set in law as well as the process used to implement this criterion.

In 2013, SGA for non-blind applicants is defined as countable earnings of at least $1,040 per month in an unsubsidized job—just above the poverty guideline for a person living alone ($957 per month). For blind applicants, the SGA amount is $1,740. Applicants engaged in SGA are not eligible for benefits. After SSA determines the first month in which the applicant could not engage in SGA, beneficiaries must wait five months before benefits start. SSA's rules call for immediate termination of benefits if the beneficiary engages in SGA during the first seven months after benefits start.

To help determine whether a worker has a qualifying physical or mental impairment, SSA maintains listings of impairments. If an applicant has a listed impairment (or its equivalent) and is not engaged in SGA, the application is accepted without consideration of other factors such as the applicant's age, job experience, and education. In 2010, about 47 percent of accepted applicants had a condition that was either listed or was equal in severity to a listed condition. If the applicant's condition does not meet or equal an impairment listing, SSA determines whether the condition is severe enough to prohibit substantive work at a job for which the applicant would be qualified, based on his or her residual functional capacity. Age, job experience, and education are considered for applicants age 45 and above who do not meet an impairment listing.

Given the complexity of the determination process and the subjective nature of some issues, some errors can be expected—that is, applications from some who can engage in SGA are allowed, while applicants from some who cannot are denied. The best evidence on this point suggests that only a small percentage of those allowed can engage in SGA. Maestas et al. (2013) use initial eligibility decisions (the allowance rate of the disability examiner assigned to the claim) to estimate that just under 7 percent of applicants would be engaged in SGA two years after their initial application decision if their application had not been allowed. French and Song (2011) found a very similar result using assignments of appeals to administrative law judges (ALJs). Historical
trends also show that many denied applicants never return to work (Bound 1989; Gruber & Kubik 1997; von Wachter et al. 2011); that might be indicative of errors in denials, but also might reflect factors other than disability that influence the decision to work (Parsons 1991).

The challenges of implementing these medical eligibility criteria have increased dramatically. Advances in medicine, technology, and the availability of accommodations, including those that employers are required to provide under the Americans with Disabilities Act, make the "medically determinable" language of the Social Security Act seem out of step with today's understanding of disability. The current scientific understanding of the causes of work disability takes into account the interactions between the person's medical conditions, the environment including available technology and accommodation, and personal characteristics such as age and education (WHO 2012). However, the Government Accountability Office (GAO) found that in federal disability programs, including the SSDI program, "eligibility criteria have not been updated to reflect medical and technological advances and labor market changes" (GAO 2012). But, GAO also notes specifically that "SSA faces constraints considering the extent to which assistive devices and accommodations can mitigate work disability because these are not universally available, and SSA lacks the resources to conduct individualized assessments" to determine eligibility.

The Benefit Application Process can be Lengthy for Applicants who Appeal Initial Denials

Applications can be filed at local SSA field offices or on the Internet, and initial decisions can be made within a few months. The applications are initially processed by a state-operated Disability Determination Services (DDS) agency. The DDS collects the applicant's medical records and may require the applicant to have a medical examination, at SSA's expense. In 2012, it took an average of 102 days for a DDS to process a claim (SSA 2012).

For applicants who meet the impairment listings, the application process is often relatively quick because they are allowed by the DDS. However, the process can take much longer—sometimes years—for those who do not meet the impairment listings, are initially denied benefits, and then appeal the decision. According to an analysis of claims filed in 2008, DDS offices accepted 37.5 percent of all initial claims, including both those who do and do not meet an impairment listing. Just over half of all claims in 2008 were accepted either at the DDS level or on appeal by October 2010 (Social Security Advisory Board 2012). The average wait time from an appeal hearing request to a decision was 362 days in 2012 (SSA 2012).8 Beneficiaries have several opportunities to appeal a denied claim, and in most cases, the claimant must appear at a private hearing with an ALJ.
SSDI Improves the Economic Well-Being of Those Who Receive It, but Many Still Live in Poverty

For people with disabilities who cannot work, have little earnings, and no other significant source of income, SSDI benefits provide critical cash assistance. But despite this assistance, people who rely solely on SSDI or on concurrent SSI and SSDI benefits for their income are very likely to live in poverty. Among those receiving SSDI benefits only, 27 percent lived in poverty in 2010 (Wright et al. 2012). For concurrent beneficiaries, total income benefits are no more than $730 per month (the maximum SSI amount plus a $20 income disregard applied to the SSDI benefit) in 2013--just 75 percent of the federal poverty guideline for a single adult. Thirty-nine states and the District of Columbia provided small supplements to these payments in January 2011, but nevertheless, about 72 percent of SSI recipients (including those with SSDI benefits) lived in poverty in 2010.

The value of SSA disability benefits does not end with income support. In particular, health benefits are often especially important for this population. Most SSDI beneficiaries become eligible for Medicare 24 months after their SSDI benefits start. Almost all concurrent beneficiaries as well as a few SSDI-only beneficiaries qualify for state Medicaid benefits, although the eligibility rules vary by state. For many, Medicaid pays for long-term care services such as personal assistance and nursing home care--services not covered by Medicare or private insurance. But despite these in-kind benefits, people with disabilities who live in poverty are much more likely to experience material hardship, such as going hungry, than those with comparable incomes who do not have disabilities (She & Livermore 2007).

The Rise in the Number of Beneficiaries is Due in Part to Shifts in Labor Force Demographics and in Part to Other Factors

The past three decades have seen a dramatic rise in the number of people who receive SSDI benefits. From 1980 to 2010, the SSDI caseload increased from 2.9 million to 7.9 million, excluding those age 65 and over (Stapleton & Wittenburg 2011). Experts agree that labor force demographics account for much of this growth, as the working-age population expands, more women join the labor force, and the "baby boom" generation ages--older workers have always entered SSDI at a higher rate than younger workers. However, SSDI caseloads have grown by more than can be accounted for by labor force demographics alone. Of the total increase, 2.8 million (57 percent) is due to labor force demographics. The remaining growth--2.2 million (43 percent)--is due to other factors. The percentage of growth explained by other factors varies with the time period considered, but is substantial over almost any lengthy period considered in the last three decades.

An array of factors is likely at work here. One example is the changing prevalence of disability in the working-age population, although the research in this area is inconclusive (Fujiura 2001). Another example is the changing stringency of medical eligibility criteria due to legislative, administrative, and court actions. Yet another
example is changes in the labor market, such as increased layoffs during recessions and changes in wage rates. SSDI applications and, to a lesser degree, awards rise during recessions, and that connection has grown stronger over the years. The wages of low-skill workers have grown more slowly than average wages, and because SSA indexes initial benefits to the growth in average wages, the benefits of low-skill workers have grown more slowly than the average worker’s (Autor & Duggan 2003). The final set of factors are policies external to SSDI, such as the declining value of Social Security early retirement benefits, which increase the relative value of SSDI benefits for older workers.

Some SSDI Beneficiaries Return to Work, and a Few Even Earn Enough to Leave the Rolls, but Work Disincentives and Other Barriers Make it Difficult

Only a few SSDI beneficiaries return to work and earn enough to leave SSDI, but a substantial minority work temporarily, part-time, or at low-wage jobs, earning so little that they can still receive benefits. In any one year, about 15 percent of beneficiaries work, and the percentage is even greater over a ten-year period. Liu and Stapleton (2011) followed a 1996 cohort of new SSDI beneficiaries and found that after ten years, 3.7 percent lost their benefits at some point because they were working. However, about 27 percent of those who lost their benefits (that is, 1 percent of the cohort) eventually returned to the SSDI rolls. They also reported that younger awardees are much more likely than older awardees to have earnings from work and to give up their benefits as a result, at least temporarily.

Although the loss or suspension of benefits due to work can be measured directly, it is more difficult to measure how many SSDI beneficiaries could--but do not necessarily--return to work. It is reasonable to expect that only a few beneficiaries can eventually work enough to leave the benefit rolls; after all, one of the main eligibility criteria for SSDI is being unable to perform substantial work for at least 12 months. In 2007, 14 percent of SSDI beneficiaries had earnings of at least $1,000 (Mamun et al. 2011). Based on survey data, almost 23 percent of beneficiaries see themselves working in the next five years, and almost 13 percent see themselves working enough to leave the benefit rolls (Livermore et al. 2009).

Since the 1970s, work incentives have been built into the SSDI program to encourage beneficiaries to find jobs. Today, these incentives include a nine-month trial work period, during which beneficiaries can test their ability to work without losing their benefits; extension of Medicare benefits for almost nine years; and deduction of certain work expenses, such as the costs of specialized transportation or equipment, from earnings before benefits are reduced. A beneficiary may also earn up to the SGA level in any month without losing SSDI benefits. The Ticket to Work and Work Incentives Improvement Act (Ticket Act) of 1999 provides financing for employment services in a manner that encourages providers to help beneficiaries earn enough to leave the rolls and offers beneficiaries a choice of providers. Beneficiaries give their chosen provider a Ticket in exchange for services, and SSA pays the provider when the beneficiary
reaches certain earnings milestones or outcomes. Counselors paid for by the Work Incentives Planning and Assistance program, established through the Ticket Act, inform interested beneficiaries about these incentives.\textsuperscript{11}

There is some evidence that these incentives help SSDI beneficiaries return to work, but few people use them. Only about 8 percent used any employment-support services in the prior year, and less than 3 percent have given their Ticket to a provider (Livermore et al. 2009). One reason may be the complexity of the incentives; beneficiaries have difficulty using them appropriately, and SSA has difficulty administering them in a timely manner. Some authors have suggested simplifying these work incentives to reduce benefit costs, although the effect on benefit costs could go either way, depending on how the incentives are simplified.\textsuperscript{12}

Given the barriers and work disincentives built into the SSDI and other programs, numerous authors recommend providing employment supports to people before they begin receiving SSDI benefits (GAO 2012; Mann & Stapleton 2012; Stapleton & Wittenburg 2011; Stapleton et al. 2006). Indeed, some programs providing early intervention and rehabilitation have helped people stay in their jobs rather than apply for SSDI benefits. Among the most successful programs have been employer-sponsored return-to-work and employment services--also known as disability management--delivered to workers who are on sick leave or are about to leave their jobs (Carroll et al. 2010; Franche et al. 2005). These programs have worked particularly well for employees with musculoskeletal disorders, which represent 32 percent of new SSDI-only applicants and 23 percent of new concurrent SSDI/SSI applicants (Rupp 2012). Another program, evidence-based supported employment,\textsuperscript{13} has also had more success than traditional vocational programs in helping people with psychiatric conditions obtain competitive employment, although earnings for most beneficiaries who receive supported employment services remain well below the SGA level (Bond et al. 2004). It is possible for these types of services to be cost-neutral through benefit reductions, but they must be narrowly targeted to people who will actually benefit from them and who would not return to work without them. However, such narrow targeting of services is both difficult and controversial.

**Conclusion**

SSDI provides a vital safety net for over 10 million Americans who cannot work because of a disability. The application process can be long and arduous, especially for those who are initially denied benefits and appeal the decision. Among those who do join the SSDI rolls, a large share lives in poverty. Only a small fraction of beneficiaries supplement their benefits with wages that are too low to result in benefit suspension or termination. A much smaller share earns enough to lose their cash payments, at least temporarily.

Labor force demographics account for most of the growth in the SSDI caseload over the last three decades, but much of the growth is also due to a complex array of other factors. Program features have been introduced to address these factors and to help lower the number of beneficiaries, ultimately by helping them return to work. However,
these measures have not been sufficient to keep the SSDI Trust Fund solvent. Simplifying these features might reduce benefit outlays, but that remains to be seen. As lawmakers struggle to address the financing issue, they may consider options that help workers stay in the labor force rather than enter SSDI in the first place. These solutions are largely untested and would require substantial up-front costs for uncertain long-term savings to the SSDI Trust Fund. A substantial demonstration period--perhaps ten years or longer--could build the evidence base and policy consensus needed to move forward with these solutions (Mann & Stapleton 2013).

Endnotes

1. The disability beneficiaries do not include the approximately 2.7 million disabled adult children of Social Security retirees or deceased workers, or the 637,000 disabled widows of deceased workers. Technically, these beneficiaries are not SSDI beneficiaries because their benefits, expected to total about $25 billion in 2013, are paid from the Old Age and Survivors Insurance Trust Fund.

2. The SSDI benefit counts as unearned income and offsets the SSI payment.

3. See http://www.ssa.gov/redbook/eng/definedisability.htm#0=0.

4. Work incentives, subsidies, and special conditions, such as impairment-related work expenses and unsuccessful work attempts (UWAs), enable some people to earn more than the SGA level. See http://www.ssa.gov/redbook/eng/TheRedBook2013.pdf for a full description of SSDI work incentives.

5. Earnings are not counted if the beneficiary’s work attempt is unsuccessful. An UWA occurs when work is terminated or reduced within six months or less because of the impairment or because work supports or special conditions necessary to maintain the employment are removed. If the claim has not been adjudicated before the work attempt occurs, the work is evaluated to determine if a UWA has occurred.


7. After SSA determines that an applicant meets the medical eligibility criteria, he or she remains eligible until SSA determines that the person's medical condition has sufficiently improved or that he or she has engaged in SGA for a sustained period. In practice, substantial backlogs in SSA’s reviews of medical conditions and work activities have led to retroactive terminations, long after payments should have stopped. SSA recovers some, but not all, overpayments in such cases.

8. Of the 62.5 percent of 2008 claims denied initially, 47.4 percent (or 29.4 percent of initial claims) were appealed. Most appeals are first reconsidered by another examiner at the same DDS office where the claim was denied. Some initial demands and all second denials that are appealed are heard by an ALJ. About half of all applications considered by an ALJ are approved. By October 2010, 21.2 percent of applications submitted in 2008 had been appealed to the ALJ level; of those, 50.9 percent were allowed, 30.2 percent were denied, and 18.9 percent were still pending. See http://www.ssa.gov/policy/docs/statcomps/di_asr/2001/sect04.html for statistics on SSDI allowance rates.

10. See http://www.ssa.gov/redbook/eng/definedisability.htm#0=0.

11. The Ticket Act also expanded states’ options for adopting a Medicaid Buy-In Program, which allows people with disabilities to purchase Medicaid coverage on a sliding scale based on their income. This program allows SSDI-eligible workers to obtain Medicaid coverage for health and disability services, including many services not covered by private insurance or Medicare.

12. See, for example, Smith (2013).

13. Supported employment helps people with severe disabilities obtain and maintain jobs in integrated settings. This type of assistance may include job coaching, job-development, job retention, transportation, assistive technology, specialized job training, and individually tailored supervision (Bond et al. 2004).
References


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Completing the Picture: Key Features of the Social Security Disability Insurance Program
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