

# Social Security Disability Insurance

National Academy of Social Insurance  
Demystifying Social Security:  
2016 Summer Academy  
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The Arc

# Today's Topics

- What is Social Security Disability Insurance (DI)?
- Who receives DI?
  - Eligibility
  - Beneficiary characteristics
- Why is DI important?
- Program trends and challenges

# Social Security Act: Title II and Title XVI System

## Income Maintenance

## Health Coverage

**Social  
Insurance**

Social Security  
Old Age, Survivors and  
Disability Insurance  
**(OASDI)**  
Title II

Medicare  
Title XVIII

**Means-  
Tested**

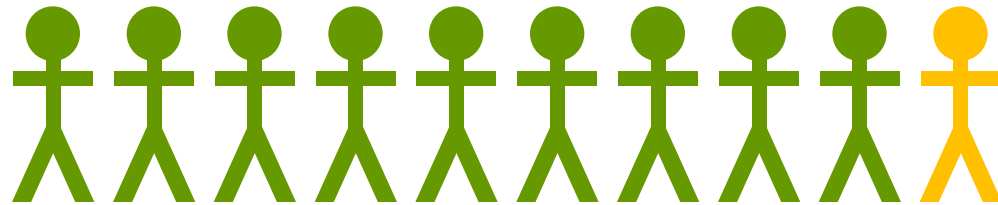
Supplemental  
Security Income  
(SSI)  
Title XVI

Medicaid  
Title XIX

# Insures Most American Workers

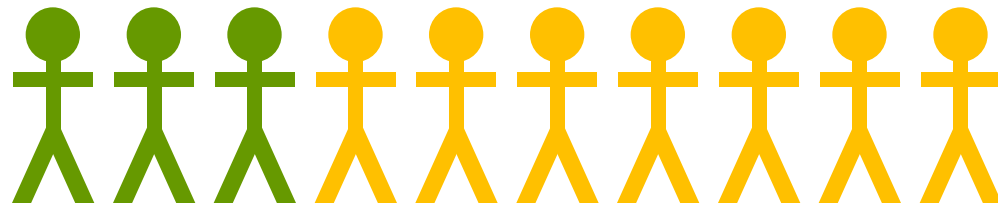
## Social Security Disability Insurance:

9 in 10 workers age 21-64 in covered employment can count on DI benefits if they acquire a qualifying disability.



## Employer-Based Long-Term Disability Insurance:

Only 3 in 10 civilian workers have access to any type of employer-based long-term disability insurance.



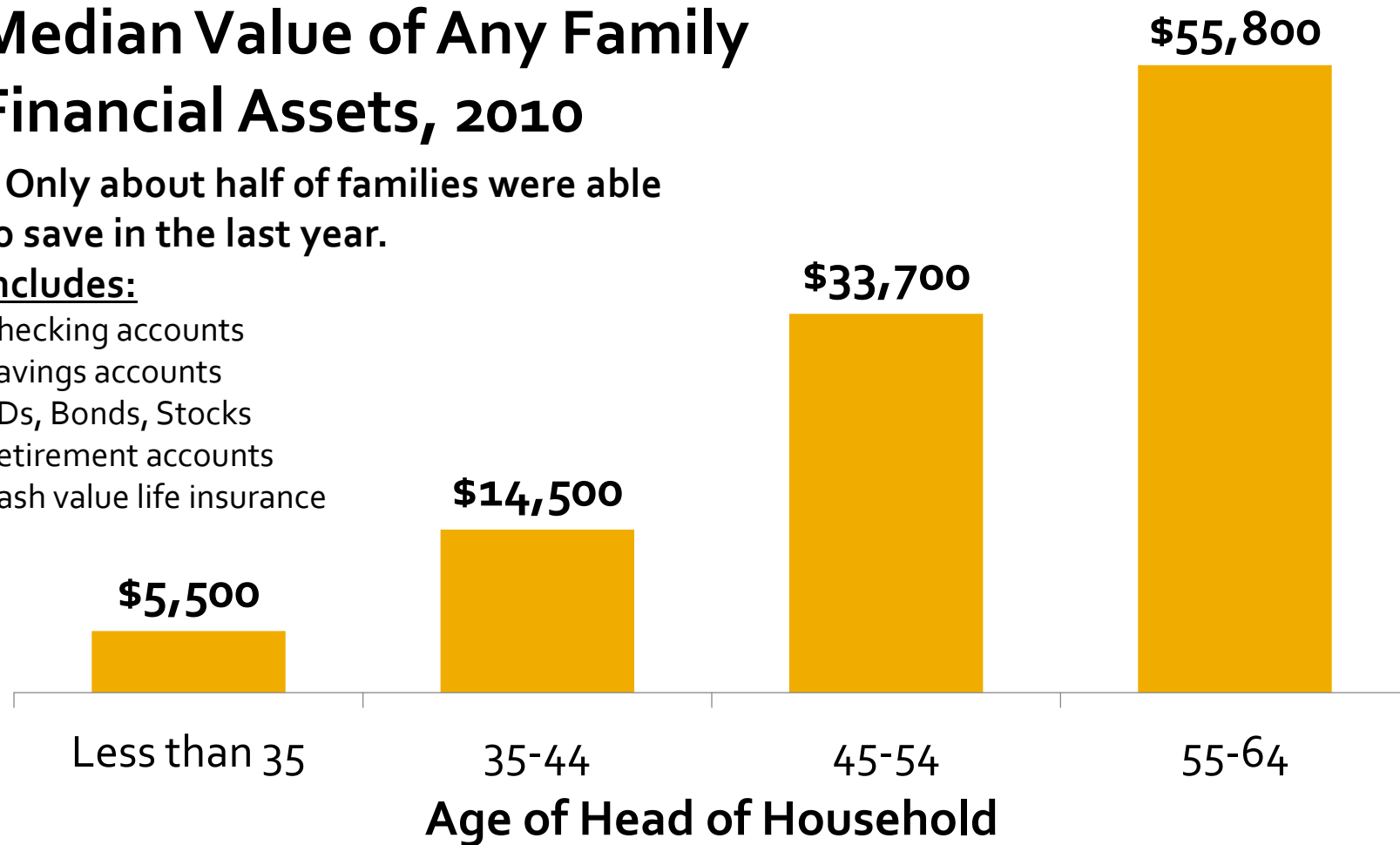
# Social Security's OASDI System: Necessary Social Insurance

## Median Value of Any Family Financial Assets, 2010

\* Only about half of families were able  
to save in the last year.

### Includes:

Checking accounts  
Savings accounts  
CDs, Bonds, Stocks  
Retirement accounts  
Cash value life insurance



Source: Federal Reserve Board Survey of Consumer Finances (SCF) for 2010.

# What is Social Security Disability Insurance (DI)?

- Insures workers & their families in the event of qualifying disabilities
- Guaranteed monthly benefit
- No income or asset (resource) limits
- Part of the Social Security system:
  - Authorized by Title II of the Social Security Act
  - Same benefit formula
  - Same cost-of-living adjustment
  - Medicare (subject to 24 month wait)
- Benefits paid from DI Trust Fund

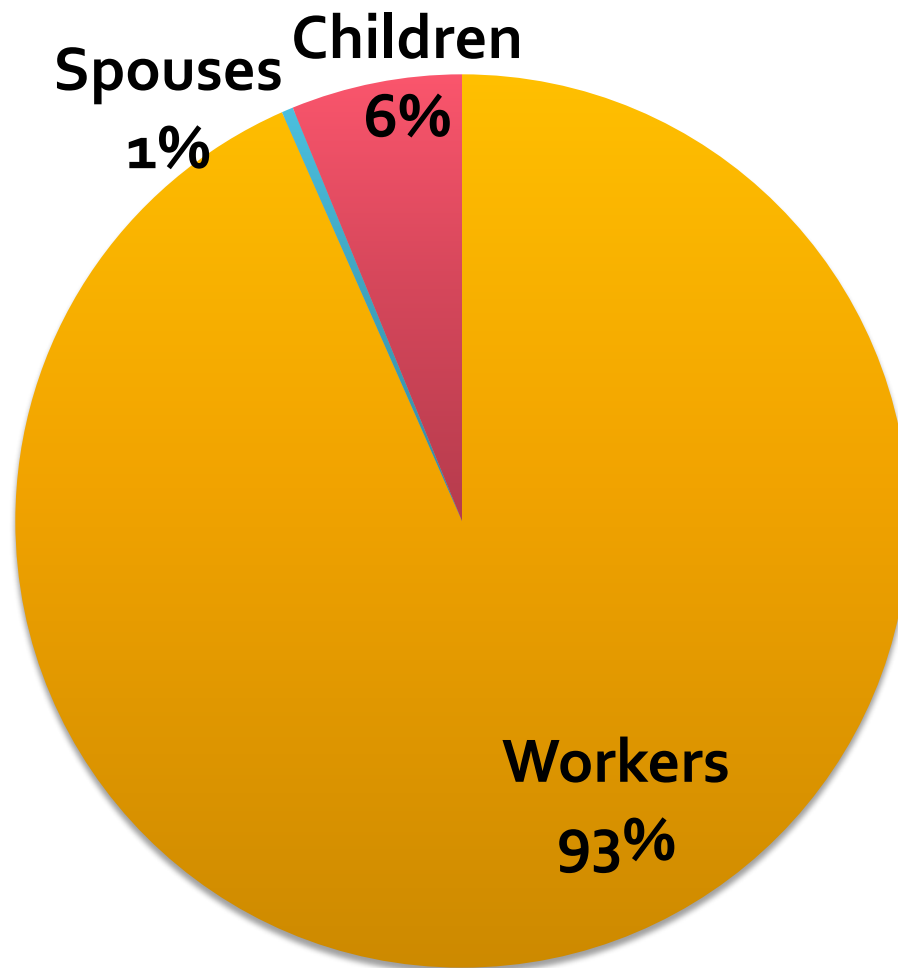


# DI Beneficiaries & Average Monthly Benefit, May 2016

	Beneficiaries	Average monthly benefit
<b>Disability Insurance</b>	<b>10,780,000</b>	<b>\$1,023</b>
Disabled workers	8,884,000	\$1,166
Spouses	139,000	\$320
Children	1,757,000	\$353

Including ~1 million military veterans, 4.8 million women, 2.3 million African-Americans, and 1.2 million Latinos.

# DI Trust Fund: Annual Benefits Paid, 2015



*Percent of total  
DI benefits paid.*



# DI Eligibility: Disabled Workers

- To qualify for DI a disabled worker must:
  - Have worked in Social Security-covered jobs
  - Meet requirements for:
    - Recent work
    - Duration of work
  - Have a disability that meets the Social Security Act **definition of disability**
  - Have not reached full retirement age



# DI Eligibility: Definition of Disability

- Medically determinable physical or mental impairment
  - Can be a single impairment or a combination of impairments, supported by evidence
- Expected to last at least 12 months or result in death
  - Does not have to be permanent
- Resulting in inability to perform Substantial Gainful Activity (SGA)
  - In prior job or in any job in the national economy
  - Does not mean “no work”

**2016 SGA** = earnings up to \$1,130 / mo. (non-blind)  
or \$1,820 / mo. (blind)

# DI Eligibility: Application Process

- Applicant submits an initial application
- SSA field office processes, sends to state Disability Determination Service (DDS)
- If denied, 4 potential levels of appeal:
  - Reconsideration
  - Administrative Law Judge Hearing
  - Appeals Council Hearing
  - Federal Court

**Most applicants are denied. Fewer than 4 in 10 are ultimately approved after all levels of appeal.**

# DI Eligibility & Benefits: How does the U.S. compare?

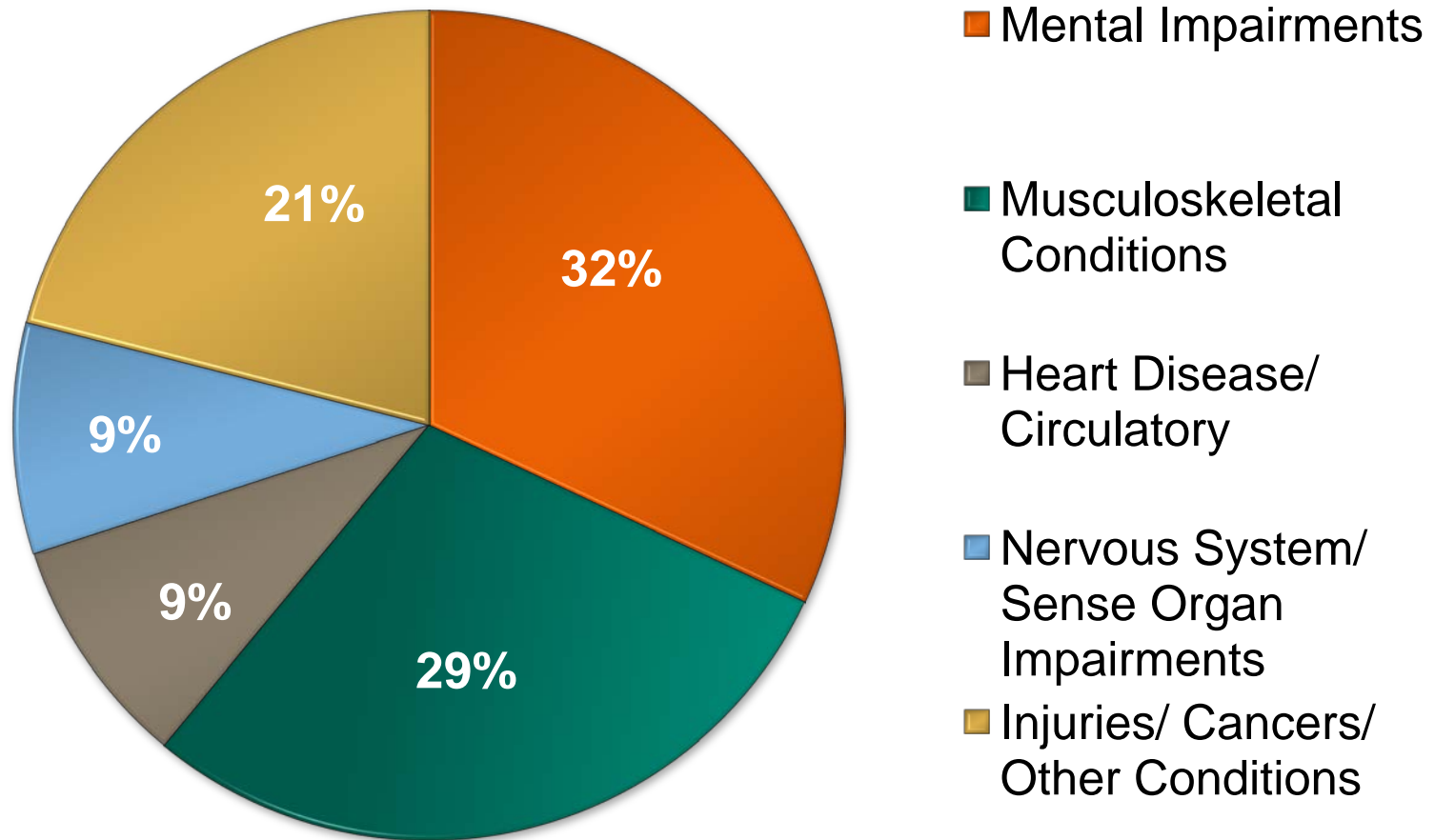
## OECD Disability Policy Typology: Country Scores, 2007, In Descending Order (OECD Average = 25.8)

Sweden	37	Belgium	25
Norway	33	France	25
Portugal	33	Greece	25
Finland	32	Poland	25
Germany	32	Austria	24
Switzerland	32	Czech Republic	24
Denmark	28	Netherlands	24
Hungary	28	New Zealand	23
Luxembourg	28	Australia	21
Mexico	27	Japan	21
Spain	27	United Kingdom	21
Ireland	26	Canada	18
Italy	26	United States	17
Slovak Republic	26	Korea	15

The OECD (Organisation for Economic Cooperation and Development) describes the U.S. disability system—along with those of Korea, Japan, and Canada—as having:

**“the most stringent eligibility criteria, including the most rigid reference to all jobs available in the labor market.”**

# DI Beneficiaries: Most Common Disabilities



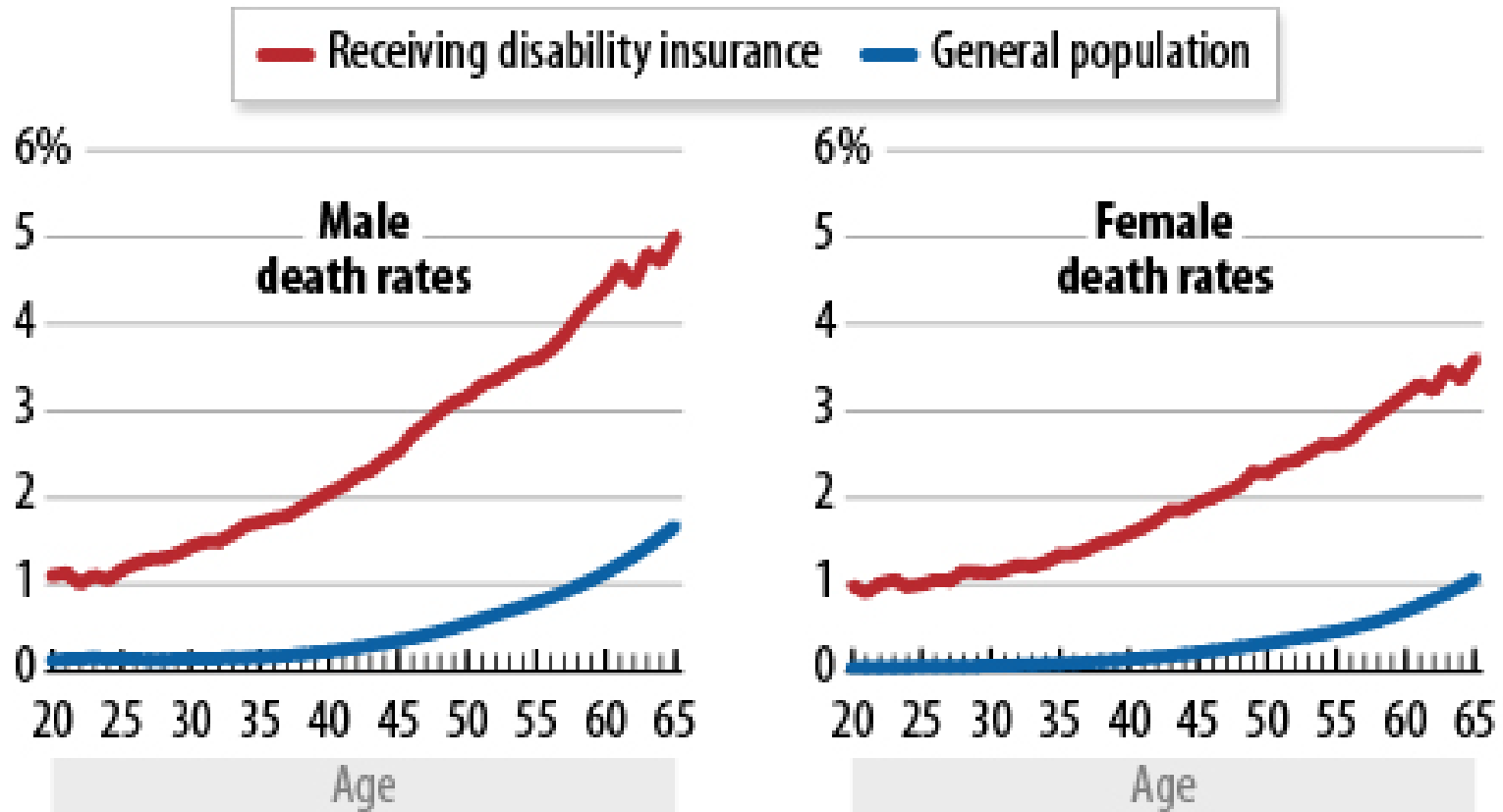
Source: V. Reno & E. Walker, NASI (2013), "Social Security Benefits, Finances, and Policy Options: A Primer."



# DI Beneficiaries: Health Status

- Nearly 7 in 10 DI-only beneficiaries report 2 or more limitations. 1 in 3 report 3 or more limitations.
  - 88% Walking 3 blocks, climbing 10 steps, standing for 1 hour &/or crouching
  - 73% Grasping, reaching &/or lifting 10 pounds
  - 64% Speaking, hearing &/or seeing
  - 54% Concentrating
- Some are terminally ill.
  - About 1 in 5 male disabled worker beneficiaries and 1 in 7 female disabled worker beneficiaries die within the first 5 years of receiving benefits

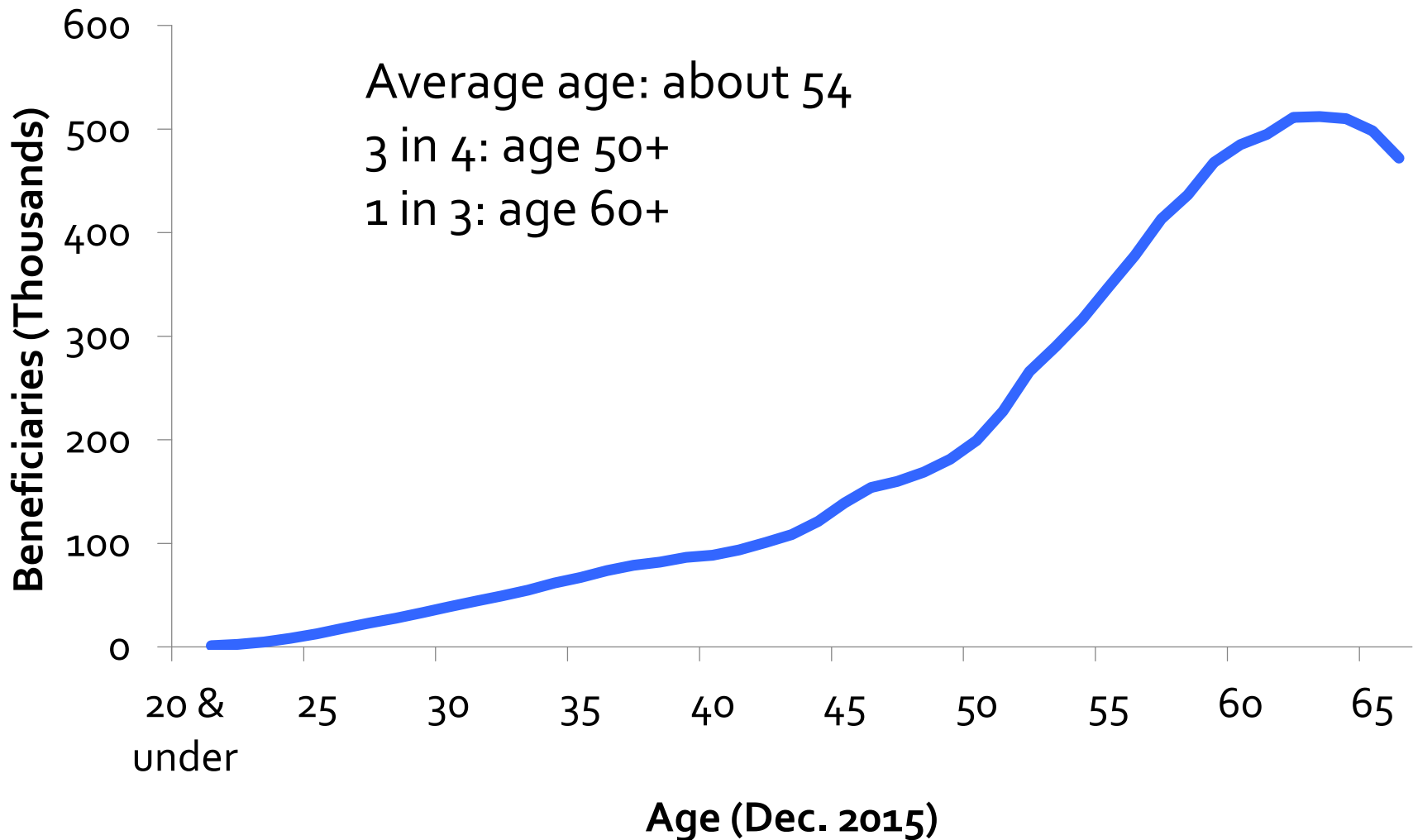
# Death Rates Higher for DI Beneficiaries than for General Population



Source: CBPP based on data from the Social Security Administration

Center on Budget and Policy Priorities | [cbpp.org](http://cbpp.org)

# DI Disabled Worker Beneficiaries: Age







# DI Beneficiaries: Education & Prior Work

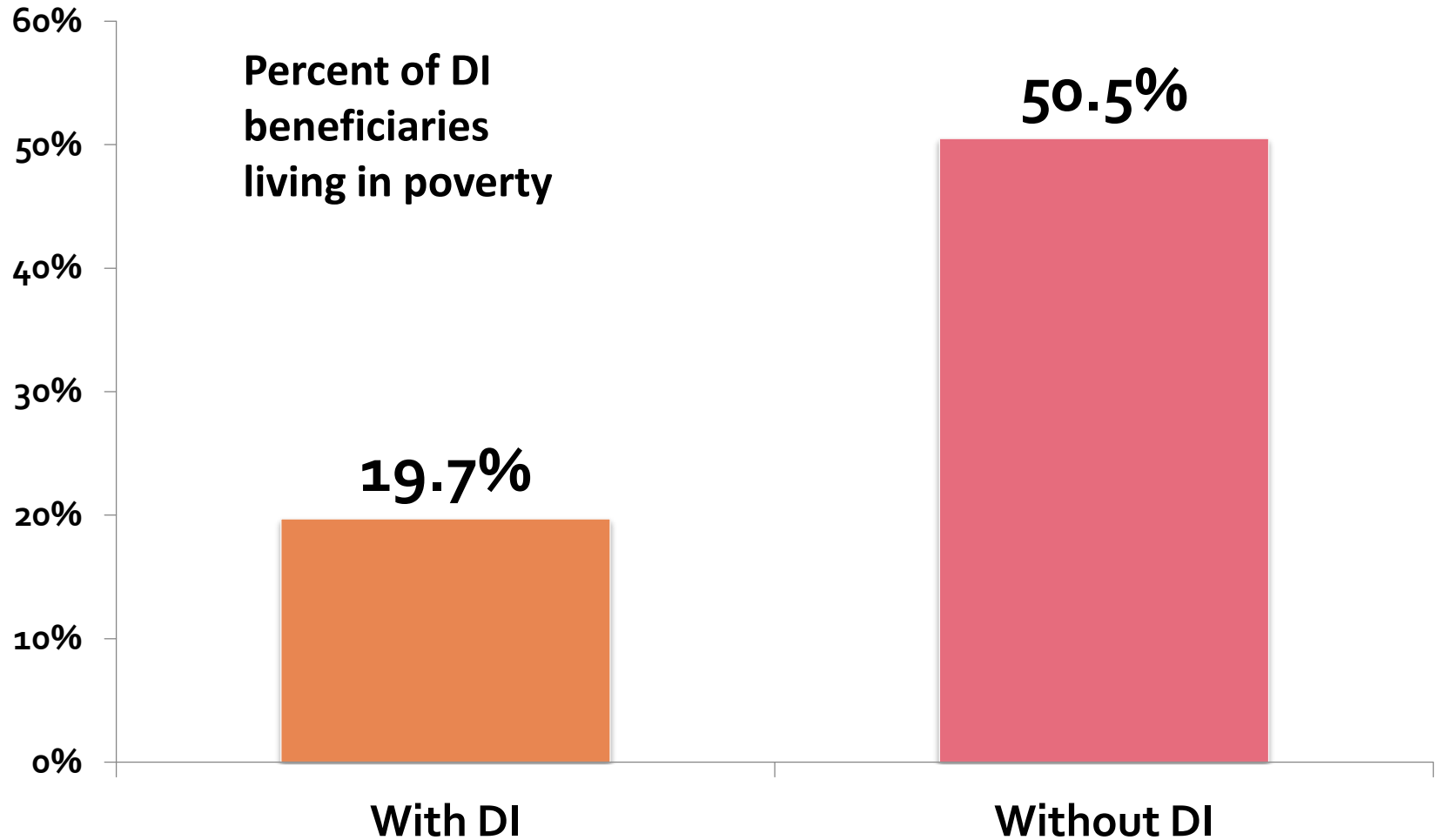
- **Low educational attainment:** Most DI beneficiaries have a H.S. degree or less. Only 1 in 6 has a 4 year college degree or higher.
- **22 years of work in covered jobs, on average**
- **Typical past work:** Unskilled or semi-skilled jobs with moderate or light strength requirements, such as:
  - Cashier-Checker / Cashier
  - Nurse Assistant
  - Fast-Foods Worker
  - Home Attendant
  - Laborer
  - Material Handler
  - Packager, Hand
  - Stock Clerk
  - Cleaner, Housekeeping
  - Janitor



# Why is DI Important?

- **Benefits comprise most/all of a majority of beneficiaries' income:**
  - The majority of personal income for over 4 in 5 non-institutionalized beneficiaries
  - The sole source of personal income for 1 in 3 non-institutionalized beneficiaries
- **Benefits reduce poverty:**
  - Poverty rates are higher among people with disabilities who do not receive DI, compared to DI beneficiaries
  - But: DI benefits are modest and many beneficiaries remain in or near poverty

# Poverty Rates With and Without DI Benefits



# Why is DI Important?

- Helps secure access to essentials: housing, food, clothing, transportation
- Prevents and reduces homelessness
- Prevents and reduces institutionalization
- Maintains health:
  - Access to Medicare
  - Help with out-of-pocket medical & disability-related expenses

# DI Program Trends & Challenges

- Adequate funding to address:
  - Historic claims backlog: 1.1 million+ people now waiting 550+ days on average for an Administrative Law Judge hearing
  - Customer service
  - Timely wage processing and recording
  - Program integrity activities
- DI Trust Fund solvency beyond 2023
- Strengthening work incentives