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# Growth in Federal Disability Programs and Implications for Policy

Gilbert Fisher  
*Social Security Administration*

Melinda Upp  
*Social Security Administration*



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# 9 Growth in Federal Disability Programs and Implications for Policy

Gilbert Fisher  
Melinda Upp  
*Social Security Administration*

This is a time of immense change in the world of disability: change in how we think about disability, change in the nature of work, change in the characteristics of persons applying for disability benefits, and change in our thinking about the role of the federal government in assisting some of our most vulnerable citizens.

The subject of this conference is causes and implications of growth in the Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) disability programs. This presentation argues that it is not just change in the size of the programs that is, or should be, at issue. In addition, it is change in the needs and demands of persons with disabilities and changes in the attitudes of society that must cause us to consider some of the fundamental underpinnings of the federal disability programs.

When we started this project in 1992, the Social Security Administration (SSA) was faced with the need to understand largely unanticipated growth in the DI and SSI disability programs. Our focus on the determinants of program growth was essential for many reasons, including the need to effectively plan for adequate program financing, adequate staffing to process workloads, and policy changes to meet the needs of a changing beneficiary population. The primary concern was whether the rapid increase in the application rate—and to a somewhat lesser degree, in the award rate—would continue.

Thus, the research reported on in Part II of this volume was largely driven by the policy needs of the government, especially SSA. In this chapter we review the principal findings, then discuss their relevance to policy issues.

NOTE: Ms. Upp died in 1996.

## **REVIEW OF THE FINDINGS**

The principal findings of the research conducted by Lewin-VHI as well as by in-house staff at SSA and the Office of the Assistant Secretary for Planning and Evaluation are as follows:

- Application and award rates have peaked and now are in decline.
- Changes in the characteristics of those applying for and being awarded benefits are leading to beneficiaries spending longer times on the benefit rolls.
- The resultant decline in the termination rate may well be the most important driver of program growth for the next two decades or so.

More specific aspects of these findings are discussed below.

### **The Relationship between DI and SSI**

This conference considers both the DI and SSI disability populations. Usually, we have considered the programs separately, believing that they serve quite different kinds of persons, one group insured for DI benefits on the basis of significant work experience and the other eligible for SSI because they do not have a significant attachment to the labor force. Increasingly, these lines are becoming blurred. Our study of growth in the DI program almost immediately became a study of growth in both the DI and SSI programs, as it became apparent that the major source of growth in the DI program was individuals applying concurrently for DI and SSI. These concurrent applicants are persons with enough work experience to become insured for DI benefits but whose economic status is so poor that their income and resources are below the means test limits for SSI. Concurrent DI and SSI applicants are now more than half of all DI applicants. Generally, the research finds that factors influencing growth in one program are the same as those that influence growth in the other, although they may differ in the degree of influence that they exert.

## Applications and Awards

One fundamental question underlying the research effort was, are the increases in applications and awards short- or long-term phenomena? The answer is both.

The research reported here, as well as actual experience, indicates that applications and awards in both the DI and SSI programs have leveled off. There were fewer DI applications in 1995 than in 1994, and fewer SSI applications in 1994 than in 1993. Final awards (awards after all appeals are heard) have leveled off in both programs. Declines in awards at the initial level have somewhat offset continuing increases at the appeal/hearings level.

### *Short-Term Factors*

One important cyclical source of growth—more so for the DI than the SSI program—was the *poor economic conditions* that prevailed in the early 1990s. In a bad job market, some who meet the programs' strict definition of disability and otherwise would have worked may apply for benefits. Lewin found that about one-fifth of the increase in DI applications and about a tenth of the increase in SSI applications from 1988 through 1992 seemed to have been influenced by increased unemployment.

Relatively short-term fluctuations in *public awareness* of the DI and SSI programs and perceptions about whether program rules are being strictly or less strictly enforced also influence program growth. It is generally believed that the programs were administered relatively strictly in the early 1980s. The administration, the courts, and the Congress all responded in the mid 1980s by making it easier to get on the rolls and harder to put beneficiaries off the rolls. These attitudes seem to have prevailed until fairly recently.

Another factor at work has been *state efforts to shift beneficiaries from state to federally financed programs*. Lewin found that cuts in state welfare programs (general assistance) in seven states and the District of Columbia contributed significantly to the increase in both SSI applications, including DI-concurrent applications.<sup>1</sup> The incentives for states to shift persons from their rolls to SSI so that the beneficiaries will become eligible for Medicaid would be significantly diminished by funding Medicaid through block grants to the states. However,

funding other programs, such as AFDC, as block grants would increase incentives to shift beneficiaries to programs, such as SSI, that are more directly funded by the federal government.

### *Longer-Term Factors*

Lewin found that the *aging of the baby boomers* was contributing significantly to long-term growth in application and awards for both programs.<sup>2</sup> This source of growth can be expected to continue for at least two decades for the DI program, until the boomers approach age 65, and even longer for the SSI disability program.<sup>3</sup>

Another long-term source of growth in the number of applications for DI is the *increased work experience of women* and the accompanying increase in their likelihood of being insured for benefits. This factor has the opposite effect on the SSI program, however: as more women become insured for DI benefits, fewer apply only for SSI benefits.

*New eligibility criteria* for benefits on the basis of mental and pain-related impairments also appear to be a continuing source of application and award rate growth.<sup>4</sup>

An increase seems to be continuing in applicants' *appeals of denied applications and in award rates at the appeals level*. Appeals and award rates clearly influence each other, and high appellate award rates encourage more applications.

Finally, Lewin found that a *decline in family support* contributed to application growth in both the DI and SSI programs. Lewin used a proxy measure to capture this effect—the increase in the number of single-parent families. Again, this trend does not appear to be turning around.

## **Terminations**

The other main driver of program growth is duration on the rolls, or termination rates. Work done by our Office of Disability and by Rupp and Scott (Chapter 4) shows that duration is up and that termination rates are down. These changes, in turn, are being driven in large part by the changing characteristics of those who are now applying for and being newly awarded benefits.

First, they are younger. More than half of persons newly awarded DI benefits are younger than 50, and almost two-thirds of those awarded

SSI benefits are younger than 50. Second, they are increasingly likely to suffer from lingering impairments, such as mental and musculoskeletal disorders. Awards to persons with mental disorders increased by 80 percent between the 1988 and 1992 DI applicant cohorts, compared with an overall increase of 48 percent in awards. The comparable increase in SSI awards was 81 percent, compared to an overall increase of 65 percent. Meanwhile, the share with heart disease and cancer declined dramatically in both programs.

These interrelated changes—in the age distribution and impairment mix of beneficiaries—mean beneficiaries are staying on the rolls longer because they are less likely to recover, and in the case of DI, they also are less likely to convert to old-age benefits. Thus, it is increasingly clear that fundamental, long-run program growth will be driven not by ever-increasing application and allowance rates, but rather by the changing characteristics of our beneficiaries. These changes in the characteristics of our beneficiaries are not news. But to some of us, at least, their importance is just beginning to be fully understood.

## **POLICY ISSUES**

The questions raised in this section stem from concerns about the change in the characteristics of our beneficiaries, the effect of this change on program growth, and the effect of our program on the beneficiaries.

### **Definition of Disability**

What do we define as disability? For both the DI and SSI programs, the Social Security Act defines disability as inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment, 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 twelve months.

SSA is being challenged to rethink this definition of disability for several reasons. First, under the Americans with Disabilities Act

(ADA), as Martynas Ycas (1995, p. 55) put it in a recent paper, people are not either disabled or not disabled. Rather, they are at different points along a continuum of needing accommodation and assistance in order to work.

Second, many with impairments that meet our definition nevertheless work, while others similarly impaired do not. So do our listings really distinguish between those who can and cannot work? Or do they distinguish between those who are *expected* to work and those who are not? Many blind persons work, for example, but blind persons are automatically presumed to be disabled under our rules. While in fact some blind persons can do some kinds of work, our rules are based on a presumption that a blind person should not have to work and that there is a public responsibility to that person.

Third, the creators of the disability program had in mind, for the most part, those with acute illnesses, such as heart disease or cancer. Especially when we think of the DI program, we think of older persons with a steady attachment to the labor force who are struck down with potentially terminal disorders. But, thanks to enormous strides in medical technology, some diseases—many kinds of heart problems, for example—are survivable that used not to be. So even persons with these kinds of illnesses are living and receiving benefits longer. As we have said, the increases in our rolls are coming from those who are younger and/or those who suffer from mental disorders and back problems. Persons with these impairments are not expected to die as a result, but improvement often is either not expected or difficult to measure. So these beneficiaries are receiving benefits longer.

If we are going to revisit our definition of disability, what should be our new criteria? SSA has been exploring criteria that reflect ability to function in the workplace, but our experience so far suggests that this may be difficult to implement in a way that can be codified and administered as objective national standards and in a way that society will find acceptable.

### **The Federal Role**

Having raised and not attempted to answer the difficult question of defining disability, we move to a second: What should be the federal role be in providing for persons with disabilities? Should we worry less

about a one-size-fits-all definition and more about different types of interventions for different types of persons?

For a long time we have grappled with the belief that our programs should 1) provide income support until recovery or death for those who cannot work and 2) encourage return to work for those who have the potential to work. As more beneficiaries are young or suffer from chronic impairments, concerns mount about the role of DI and SSI disability benefits in encouraging a lifetime dependency on public income support.

- Is this fair to the person with a disability? Is it in their best interest?
- Is this a desirable public policy outcome?
- With regard to the DI program, what is the appropriate role of a social insurance program?

Moreover, SSA is an agency with its roots in providing long-term income support for retirees. Its primary function has been to get the right check to the right person at the right time. We do not have much experience or expertise in facilitating self-sufficiency.

As we grapple with strategies to encourage employment, we have to consider a number of issues. One of the most difficult of these is how to develop standards that can be applied nationally to determine what type of intervention is best for whom. This is especially difficult when the differences among persons with a given kind of impairment are at least as great as the differences among persons with different kinds of impairments.

There is no question that many people with disabilities strongly want to work. And society expects those who can support themselves to do so. But in providing work opportunities, we must 1) not put anyone at risk of losing life-sustaining support, such as medical benefits, and 2) take account of the fact that many of our beneficiaries are poorly educated, have few work skills, and have had, at best, a fragile attachment to the workforce.

A number of options to change the federal role have been proposed. These include time-limited benefits; providing only services, but no cash; and offering partial benefits. Each of these approaches has some



advantages over our present system, but each presents some issues, as well. For example,

- What happens when the time limits are up and the person is not self-sufficient? What are the criteria for deciding whether benefits should continue? And, what is the alternative to benefits for those for whom benefits are the last resort?
- Is it fair to limit any category of persons with a disability to services only and no cash support? Being disabled costs money, not only in terms of forgone earnings, but also in terms of the need to buy ongoing support for daily life.
- What might be the criteria for partial benefits? How do we define partial? Could a change from the current definition toward some standard for partial benefits be equitably and uniformly administered?
- What is the appropriate federal role, if any, for those who meet our definition of disability but who nevertheless work and have significant impairment-related work expenses?

Subsequent chapters in this volume address these and other issues. They are immensely challenging and complex issues.

It is tempting, on the one hand, to think that all is well and to resist change in the disability programs now that application and award growth have slowed, to think that the disability programs no longer present an issue. It is equally tempting to regard growth as bad, to assume that something is wrong if the programs are increasing in size and cost. Neither is the case.

As we consider the DI and SSI disability programs, we must keep in mind what it is that is driving fundamental, long-term growth: the changes in the nature of disability and of persons being awarded benefits, and the resultant increases in duration on the rolls and declines in termination rates.

We must, of course, be certain that elements over which SSA has some influence are not driving application and award growth out of control. We must be certain that we have adequately financed the disability programs. We must make sure that we take appropriate administrative steps to ensure that only those who continue to be eligible stay on the rolls.

But most important, we must be certain that our programs continue to serve the best interests of persons with disabilities and the best interests of society.

### Notes

1. Research conducted under the Lewin-VHI contract has been summarized in Chapters 2 and 8.
2. Application rates are defined as the percent of applications based, in the case of DI, on those insured for disability benefits and, in the case of SSI, on those in the population covered by the SSI program. Award rates have been variously defined; the term here is used to mean awards in any year as a percent of applications in a given year.
3. Technically, in the DI program, an applicant may be disabled before age 65, but becomes retired at age 65 or older. This is because benefits stop being paid from the DI trust fund and start being paid from the separate Old-Age and Survivors' Insurance trust fund for beneficiaries at age 65. No such distinction is made in the SSI program.
4. The same medical eligibility criteria are used for the DI and the SSI programs.

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