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TRANSFORMING DISABILITY POLICY

Presented to:

United States Senate
Committee on Finance

Hearing on:

**Barriers to Work for Individuals Receiving Social
Security Disability Benefits**

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June 21, 2007

This briefing paper is largely based on the knowledge I gained through work that was performed under grants and contracts from the Social Security Administration, the National Institute for Disability and Rehabilitation Research, the Centers for Medicare and Medicaid Services, the Assistant Secretary for Planning and Evaluation in the Department of Health and Human Services, and various other agencies and organizations. I gratefully acknowledge the contributions of individuals in those agencies and organizations to the information contained herein, as well as to those of many collaborators and a variety of other experts who have influenced my thinking. The views expressed in this briefing paper are, however, my own. This testimony does not include information about agency-funded projects that are still in progress.

TRANSFORMING DISABILITY POLICY

Full Testimony

Thank you for inviting me to testify today. My testimony reflects the research I have conducted under many grants and contracts over the last 14 years, as well as the research and expertise of many others, but the views I present are my own. You might know that I am currently involved in work on four Social Security Administration projects, most notably the Ticket to Work evaluation and the Benefit Offset National Demonstration. Although my work on these projects has influenced my thinking about disability policy, I have not been asked to testify specifically on these projects, and am not cleared by SSA to do so.

I begin by touching on a topic that might seem off point, but which I will argue is not. SSA Commissioner Michael Astrue has provided exceptionally frank testimony to Congress about the poor performance of SSA's disability determination process.¹ He has told you about the very significant hardships that this process imposes on applicants, many of whom are experiencing considerable medical and economic hardship. Partly from personal experience involving his father, he recognizes that the current determination process treats many applicants in an unconscionable manner.

Commissioner Astrue is not the first SSA Commissioner to make process improvement a top priority. Notably, the two previous Commissioners have also done so, yet little progress has been made. I've been professionally involved in some of these efforts myself, and I testified to the Subcommittee on Social Security of the House Ways and Means Committee on this topic almost exactly five years ago.² I have become increasingly convinced that the problems with the

determination process are more a reflection of larger problems with federal disability policy than they are with poor process design, poor management, or inadequate resources. I hasten to add that increased funding and procedural improvements could improve the process, but I also believe that the process will continue to be very problematic in the absence of successful, transformative change to federal disability policy. My greatest concern is that efforts to transform disability policy will take a back seat to efforts that focus on improving the determination process and that, by themselves, will at best achieve limited success.

Because of time limits, my remarks on the transformation of disability policy will focus on the Social Security Disability Insurance program; parallel points apply to other programs.

Over 6.5 million workers currently receive SSDI benefits.³ I think it is critical to preserve this program for those workers whose physical or mental impairments prevent them from permanently earning a substantial sum under any reasonable circumstance. The SSDI program has become unduly burdened, however, because it is trying to meet the needs of significant numbers of workers with disabilities who would be better served by a program that helps them continue to be self-sufficient through work. Current programs serving that purpose are inadequate and, as a result, many turn to SSDI for lack of a better alternative. SSA is stuck with determining which of these applicants meet SSDI eligibility criteria.⁴

Last summer the Social Security Advisory Board outlined the structure for a 21st century disability program, reflecting input from many experts, including leading advocates.⁵ This structure includes SSDI as part of an income support program for those who are unable to attain a reasonable standard of living through work for very long periods, if not permanently. The structure also includes two other critical components. The second component is a “transitional”

program that provides an array of support services and work incentives to those people with disabilities who can, with such support, achieve substantial self-sufficiency and a reasonable standard of living through work. The third component is a common entry system to the transitional and long-term support systems, which the Board calls “triage” assessment. Workers with disabilities would be encouraged to enter triage assessment early, even while they are still employed. The process would be designed to quickly identify: a) those with very short-term challenges, or with challenges that can readily and reasonably be addressed by their employer; b) those who are clearly unable to contribute substantially to their own support under any reasonable circumstance for a year or longer; and c) those in the gray area in between the other two groups. The first group would not receive additional services, the second would enter SSDI, and the last would enter the transitional program.

Many disability leaders and organizations have been advocating for improvements in services and supports to help people with disabilities lead more self-sufficient and fulfilling lives. At the same time, however, they are very protective of existing programs. These two positions are not at all contradictory, given federal and state fiscal pressures, poor coordination across agencies and levels of government, the nature of bureaucracy, the constant shifting of political winds, and the many unanswered questions about how and how well new services and supports would work.

Yet I see substantial commonality between the framework recommended by the Advisory Board and the objectives of many advocates. Notably, a draft report entitled “Being American: The Way Out of Poverty,” written by Bryon MacDonald and Megan O’Neil of the World Institute on Disability, recommends a new program that would parallel SSDI, called

Employment Support Insurance, and that would serve many workers who might otherwise end exit the labor force and enter SSDI.⁶

There are many differences in the details of the Advisory Board's recommendations and those of the World Institute report, but I think the large area of common ground in these two reports is much more important: each calls for a new program or system that helps people with disabilities achieve or sustain economic independence before they are truly unable to do so, and reduces their reliance on long-term income supports.

In theory, at least, such a program could both improve the lives of people with disabilities and reduce the burden of disability programs on taxpayers, for at least two reasons. First, current policies waste the considerable productive capabilities of people with disabilities. Presumably, a well-designed program would: help participants use their capabilities to achieve a higher standard of living; be less costly to the government; and increase government revenues from payroll, income and other taxes. Second, our current support system is a patchwork of highly fragmented programs, reflecting the responsibilities and interests of multiple agencies, multiple Congressional committees, and multiple levels of government. Each one on its own might make sense, given the existence of the others, but inefficiency is high because: fragmentation makes it very difficult for people with disabilities to obtain the support they need when they need it, services are often duplicated; and program provisions interact in counterproductive ways.⁷

Can we achieve such lofty goals in practice? I do not know, but I think there is some reason for optimism. The latest reason is intriguing new evidence from a pilot program in the United Kingdom. The Pathways to Independence program offers a package of work incentives and supports to workers who enter the UK Incapacity Benefits program.⁸ The IB program is

intended to provide both short- and long-term disability benefits. Evidence from a methodologically strong evaluation indicates that the new program increases the employment of IB entrants by 22 percent after about 10 months, and reduces the number continuing to receive income support by 14 percent. Implementing a similar program in the United States is problematic because we do not have a national short-term disability program, and because responsibility for the supports that would be required are spread across several agencies. Nonetheless, the findings from the UK pilot at least suggest that a well designed program in this country could reduce the flow of workers with disabilities out of the labor force and into SSDI by a very substantial magnitude.

The need for transformative change is already pressing, and becoming more urgent with each passing year. Long-term trends show that more and more working-age people are not working because of self-reported work limitations, and a larger and larger share are relying on SSDI for support. This statement applies to both sexes and all age groups. In fact, based on the Current Population Survey, the percentage of Americans aged 21 to 64 not active in the labor market because of a reported work limitation was higher in 2004 than in any year since 1981, the first year for which this statistic is available.⁹ This statement applies to both men and women. There is controversy about these estimates because of problems with the CPS definition of disability, but the trends are confirmed using other surveys and other broad-based measures of disability. Some will also point out that the employment rate for people with disabilities who say they can work is increasing. That's certainly true, but this simple statement masks the reality that a larger and larger percentage of working-age people with disabilities say they cannot work.

Perhaps more germane, and certainly less disputable, is the fact that the percentage of working-age people who receive SSDI benefits is historically very high, for every age/sex group.

One recent analysis by David Autor and Mark Duggan found that the percentage of men age 60 to 64 receiving SSDI increased from 11.9 percent in 1984 to 13.3 percent in 2004.¹⁰ Growth for younger men was much higher, and growth for women in all age groups was higher than for men because of growth in female labor force participation.

Additional statistics show that people with disabilities, as a group, have received little benefit from this country's impressive economic growth; instead, they are falling further and further behind their counterparts without disabilities.

The relative decline of the economic fortunes of working-age people with disabilities has occurred despite high and rapidly growing government expenditures for their support. In 2002, the most recent data for which comprehensive estimates are available, federal expenditures to support working-age people with disabilities totaled \$226 billion, accounting for over 11 percent of all federal outlays, and 2.2 percent of gross domestic product.¹¹ The bulk of these expenditures were for income support and health care. States spent an additional \$50 billion, mostly to pay for health care. From 1984 to 2002 federal expenditures for this population increased by 80 percent more than all federal outlays, and by almost 60 percent more than gross domestic product.

It is especially troubling that these trends have occurred despite tremendous advances in medicine and technology, and despite the establishment of the rights of people with disabilities at the federal level, under the Americans with Disabilities Act and other legislation. Some might blame both of these apparent advances for the declining fortunes of people with disabilities, but I find their arguments and evidence unconvincing. Instead, it seems much more plausible that the declining fortunes of people with disabilities have occurred because federal disability policy has

failed to keep pace with medical advances, technological innovations, changes in the nature of work, and society's views about both the rights and responsibilities of people with disabilities.

The stress on SSDI and the broader support system for people with disabilities will almost certainly become much worse in the next two decades as the Baby Boomers enter and pass through their 50s and 60s.¹² In the absence of significant progress toward helping working-age people with disabilities attain a greater degree of self-sufficiency, SSA's disability determination process will face an increasingly daunting workload, government expenditures to support working-age people with disabilities will continue to grow rapidly relative to the growth of all federal outlays and the economy, and Congress and the Administration will find it increasingly difficult to protect SSDI from eligibility tightening and benefit cuts. We need to find better alternatives.

I urge this Committee, all government leaders, and advocates for people with disabilities to support the design, testing, and eventual implementation of transformative disability policy changes – changes that will help people with disabilities achieve both greater economic self-sufficiency and more fulfilling lives. Within that framework, the highest priority should go to efforts that will reduce the premature exit of workers with disabilities from the labor force and into SSDI.

¹ See, especially, <http://waysandmeans.house.gov/hearings.asp?formmode=detail&hearing=527&comm=4>.

² See <http://waysandmeans.house.gov/legacy.asp?file=legacy/socsec/107cong/6-11-02/6-11stap.htm>

³ See Table 5.D4 in SSA, *Annual Statistical Supplement to the Social Security Bulletin, 2006*, <http://www.ssa.gov/policy/docs/statcomps/supplement/2006/5d.html>

⁴ Extensive additional information about the need for transformative change and a discussion change principles appears in Stapleton, D.C., O'Day, B., Livermore, G.A., & Imparato, A.J. Dismantling the Poverty Trap: Disability Policy for the 21st Century. *Milbank Quarterly*. Volume 84, #4, 701 – 732, 2006.

- ⁵ Social Security Advisory Board, *A Disability System for the 21st Century*, 2006. <http://www.ssab.gov/sumrDisabilitySystem.shtml>.
- ⁶ A draft summary of the report can be found at <http://www.wid.org/programs/california-work-incentives-initiative/public-policy-activities/being-american-the-way-out-of-poverty/>.
- ⁷ These points are illustrated for health care and related services provided to people with disabilities in N. Goodman, D.C. Stapleton, G.A. Livermore and B.O'Day, *The Health Care Financing Maze for Working-Age People with Disabilities*, 2007 <http://digitalcommons.ilr.cornell.edu/edicollect/1234/>.
- ⁸ See S. Adam, C. Emmerson, C. Payne and A. Goodman (2007) *Early Quantitative Evidence on the Impact of the Pathways to Work Pilots*. UK Department of Work and Pensions, 2007. www.dwp.gov.uk/asd/asd5/rports2005-2006/rrep354.pdf.
- ⁹ Statistics derived by the author from annual statistics on the prevalence of work limitations and the employment rate of those with work limitations available at www.disabilitystatistics.org.
- ¹⁰ See Autor, D.H. & M. G. Duggan (2006). *The Growth in the Social Security Disability Rolls: A fiscal Crisis Unfolding*. *Journal of Economic Perspectives*, 20(3) 71-96.
- ¹¹ See Goodman, N. & Stapleton, D.C. (Forthcoming). *Federal Expenditures for Working-age People with Disabilities*. *Journal of Disability Policy Studies*. 18(1). A summary appears at <http://digitalcommons.ilr.cornell.edu/edicollect/189/>.
- ¹² The urgency of the need for change is discussed more extensively in D.C. Stapleton, R.V. Burkhauser, P. She, G.A. Livermore and R.R. Weathers, II. 2007. *Income Security for Workers with Disabilities: A Stressed Support System in Need of Innovation*, available by request to dcs28@cornell.edu.