Introduction

Kalman Rupp
*Social Security Administration*

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1 Introduction

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This book is about the growth in income entitlement benefits for disability in the United States provided under two federal programs administered by the Social Security Administration (SSA): the Social Security Disability Insurance (DI) program under Title II of the Social Security Act, and the Supplemental Security Income (SSI) program (Title XVI). Both programs use the same definition of disability, but other eligibility criteria differ. DI is a social insurance program with disabled worker eligibility conditioned on sufficient employment in jobs covered by Social Security. SSI is means-tested, requiring beneficiaries to satisfy income and asset criteria. DI beneficiaries whose incomes, including DI benefits, are below the SSI benefit level may concurrently receive SSI payments to make up the difference, and many low-income DI applicants receive SSI benefits during the five-month postemployment DI waiting period. DI benefits are converted to Old Age and Survivors Insurance (OASI) benefits at age 65. SSI disability recipients may continue to receive benefits past age 65, although SSI benefits are also available to the nondisabled elderly meeting the income and asset tests. Children with qualifying disabilities are eligible for SSI payments in their own right subject to income and asset eligibility requirements.

SSA's disability programs have evolved into major pillars of the social safety net in the United States. While the basic design of DI has not changed since the program was created in 1956, changes in the definition of the target population, program administration, eligibility criteria, work incentives, and eligibility reviews have expanded the program. The SSI disability program replaced federal-state Aid to the Permanently and Totally Disabled and Aid to the Blind programs in
1974, and since then has expanded at a faster pace than DI. In 1995, 4.2 million DI disabled worker beneficiaries and their dependents received $40.9 billion in benefits, and 4.9 million disabled SSI beneficiaries received $19.5 billion in federal payments. The combined value of benefits from the programs in 1995, $60 billion, is more than 2.5 times as large as combined federal and state spending on AFDC benefits in the same year. The importance of both DI and SSI has increased enormously during recent years as the real value of medical benefits that most recipients are entitled to—Medicare (for DI recipients after a two-year waiting period) and Medicaid (for SSI recipients)—increased tremendously. In 1995, Medicare paid $12.5 billion in benefits for DI beneficiaries, and Medicaid paid about $40 billion in benefits for SSI-disability recipients.

Much has changed in the broader environment of SSA’s disability programs as well. The passage of the Americans with Disabilities Act of 1990, and more recently, the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, are major federal laws affecting people with disabilities. Changes in family structure, population health trends, economic restructuring, and increases in female labor force participation all affect the nature and growth of SSA’s disability programs.

A substantial amount of recent research and policy discussion has focused on various aspects of the disability programs and their interaction with the broader environment of our economy and society. A recently published Upjohn Institute volume, Disability, Work and Cash Benefits, is a compendium of studies by leading experts in disability, income security, labor economics, and rehabilitation (Mashaw et al. 1996) and represents the range of program design and institutional issues raised by the programs. Other recent work focuses on narrower, but fairly important aspects of program design, such as work incentives and vocational rehabilitation, as represented by a series of papers published in the August 1996 issue of the Journal of Vocational Rehabilitation (Prero 1996). SSA’s Disability Evaluation Study is a major ongoing data collection effort designed to develop a better understanding of SSA’s eligibility screening processes and the potential to improve this critically important aspect of the program.

This book focuses on the factors affecting the growth of the disability programs—both understanding the causes of growth and their pol-
icy implications. Changes in program design and in the environment of SSA’s disability programs are both very important in explaining and understanding program growth. The patterns and causes of program growth point to critically important aspects of program design and the changing role of SSA’s disability programs in the social safety net.

In the next section we discuss the motivation and objectives of this book in somewhat more detail. We then provide an overall conceptual framework underlying the studies in the book, an overview of the major issues, and a brief sketch of the organization of the volume.

MOTIVATION AND OBJECTIVES

The last time the growth of income entitlements to persons with severe disabilities was subject to intense scrutiny by economists was during the mid 1970s, following acceleration in the growth of DI awards (Exhibit 1.1) and deterioration in the balance of the DI Trust Fund. Researchers concluded that the 1975 recession was the primary cause of that situation and that the anticipated recovery would turn the trends around (Lando 1974; Hambor 1975; Thompson and Van de Water 1975). The DI program was viewed by many as a potential tool of countercyclical macroeconomic policy—an automatic stabilizer that, like many other government programs, came to the aid of those most hurt by a recession while stimulating much needed demand for goods and services. An important policy implication was that Trust Fund balances needed to be built up when the economy was strong in order to compensate for higher benefit payments during recessions.

Once again, a major upsurge in income entitlements to persons with severe disabilities has resulted in intense scrutiny of the DI program; this time the scrutiny extends to SSI, which was in its infancy at the federal level during the earlier period. This upsurge also coincided with a major recession, in 1991, but analysts were skeptical that it was the primary cause, despite the earlier findings. The “double-dip” recession of 1980–1982 was not accompanied by acceleration in program growth, and there are competing explanations of the recent growth—most notably changes in the program itself, the aging of the baby boomers, and declines in the value of and access to benefits from state
Exhibit 1.1 DI and SSI Disability Awards

and local programs. Other changes in the economy and society, such as
the decline in manufacturing jobs, growth in female labor force partici-
pation, growth in health care costs, changes in the structure of families,
immigration, and changes in the prevalence of disabling health condi-
tions, represent another layer of factors that could have a bearing on
recent program growth.

Again, policymaker scrutiny of the programs has generated a sub-
stantial research effort. While some policymakers argued that growth
would subside of its own accord once the economy turned around, and
others saw no end to the rapid growth without a significant change in
program policy, many believed that research on the causes of program
growth was needed to inform the policy debate. Some of us thought the
research was not only overdue, but perhaps a little too late; the research
during the mid 1970s was initiated at the peak of growth and therefore
was a lagging indicator rather than a proactive agent of change. Per-
haps, again, "the damage was already done," in part because of the lack
of serious research attention to this topic during intervening years.
Growth now appears to be subsiding, and it may be that, once again,
the attention of policymakers will turn to other hot topics of the day.

Stanford Ross (Chapter 11) provides an intriguing perspective on
the initiation of this research from the point of view of a public mem-
ber of the Board of Trustees for OASDI. As Ross explains, in April of
1992 the Trustees were obligated to report to Congress, warning that
reserves were projected to fall below 20 percent of annual disburse-
ments. This was the first time that this official "alarm bell," enacted in
1983 as Section 709 of the Social Security Act, was set off.

In response to the Section 709 mandate and recognizing the impor-
tance of developing a better understanding of the factors affecting
caseload growth, the U.S. Department of Health and Human Services
and SSA prepared a report (DHHS 1992) summarizing existing knowl-
dge about the growth of the DI program and providing a comprehen-
sive list of various demographic, economic, and programmatic factors
that were hypothesized to affect caseload growth. This "709 Report"
called for additional research to assess the causal role of various fac-
tors, and to quantify their effects.

A short-term fix to the impending insolvency was proposed in 1992:
reallocation of a small portion of OASI Trust Fund contributions to the
DI Fund. As Ross describes (Chapter 11), the Public Trustees refused
to accept the proposal unless a research agenda was pledged by the *Ex-officio* Trustees. The Public Trustees argued that the short-term palliative of a reallocation should not take place without providing the Congress and the public with information that would permit a more fundamental look at the program and could lead to appropriate reforms. Around this time, Congress mandated an examination of the reasons for the rise in the number of applications and awards and for the decreased rates of benefit terminations. SSA was to report the findings from this examination to Congress by October 1995.

In response, SSA and the Office of the Assistant Secretary for Planning and Evaluation (ASPE) of DHHS initiated a series of projects. Two of the papers in this volume are summaries of research conducted by staff at Lewin-VHI, Inc., under contract to SSA and ASPE. Three other research papers were written by academics under subcontract to Lewin-VHI, and two were written by SSA staff. The papers focus on adult program participation, but some papers also address participation of children with disabilities in SSI.

Concerned that lessons learned from the current round of research would be neglected by the policy community, SSA and ASPE sponsored a two-day conference in Washington, D.C. entitled *The Social Security Administration’s Disability Programs: Explanations of Recent Growth and Implications for Disability Policy* on July 20–21, 1995. The purpose of the conference was to present and discuss findings of the research on caseload growth. The conference also featured panel discussions by regional and state program administrators on their first-hand experience, adding a human dimension to the numbers, and by well-known experts in the field of disability policy on the policy implications of the research findings and potential future directions for the federal programs. This volume is based on the research findings, administrator observations, and policy discussions featured at the July 1996 conference.

In the decade and a half between the two periods of rapid program growth there has been a marked shift in attitudes toward entitlement programs—from the benign Great Society view that such programs assist the less fortunate in our society, especially during economic hard times, toward alarm over growth in program participation and spending. Many fear that such programs are undermining the nation’s economic strength. The Personal Responsibility and Work Opportunity
Growth in Disability Benefits

Act of 1996 reflects concerns about both the economic effects of previous welfare legislation and the effects on the moral fabric of our society.

Cash assistance for persons with severe disabilities has long enjoyed fundamental political support because the intended recipients were viewed as "deserving." Early recommendations for a radical restructuring of welfare programs from entitlement to temporary support based on individual responsibility and the objective of encouraging work called for exemptions for those with severe disabilities (see, for instance, Ellwood 1988). The political backlash following the tightening of eligibility for the federal disability programs initiated during the early Reagan years confirmed the notion that disability programs were "different" from other cash assistance programs because they provided support for a group that should not be expected to work.

Much of the recent growth in program participation, however, has been among beneficiaries who might be seen as "not deserving." There is increasing concern about the ability of the program to identify those who truly "cannot work" in the face of strong economic incentives and procedural barriers working in the opposite direction. The critics argue that the federal programs create a class of long-term beneficiaries who could and would work were it not for the increasingly strong economic incentives to get and stay on the rolls. The especially rapid growth of young beneficiaries and of beneficiaries with certain mental disorders—especially addiction disorders and affective disorders—are cited as prime examples. The now defunct Aid to Families with Dependent Children (AFDC) program is usually held up as the prime example of a program dominated by the long-term dependence of a subset of beneficiaries, but average duration on the disability program rolls is longer (Rupp and Scott 1995).

Critics have called for policies restricting entry to, and encouraging exit from, the disability rolls. Congress has responded, initially by mandating time-limited benefits for persons whose drug addiction and alcoholism (DA&A) contributed to their disability, and subsequently by requiring the removal of DA&A cases from the rolls and denial of disability benefits to future applicants for whom DA&A is judged to be material to the determination of disability. The Personal Responsibility and Work Opportunity Act of 1996 also tightened eligibility for dis-
abled children, ended SSI eligibility for aliens, and increased the
resources devoted to Continuing Disability Reviews (CDRs).

The extent to which changes in the nature of the disability programs
contributed to accelerated growth has been a major challenge for the
research reported in this volume. The policy discussions, in turn,
reflect a range of views on the nature of the disability programs, and on
the extent to which work options are feasible tools for containing
undesired program growth and dependence.

The provisions of the Personal Responsibility and Work Opportu­
nity Reconciliation Act of 1996 that are directed at benefits for poor
families with children have opened a new source of potential growth in
the disability programs. It is possible that replacement of the AFDC
program by block grants to the states for Temporary Assistance for
Needy Families (TANF) will become a new source of growth in the
disability programs, as disabled individuals no longer eligible for
AFDC, some with access to more restrictive TANF programs, seek
new sources of support, assisted by state governments that have
increased financial incentives to shift welfare spending to the federal
government.

CONCEPTUAL FRAMEWORK

Caseload growth is affected by both economic and noneconomic
factors. Demographic and epidemiological factors, as well as the crite­
ria for determining disability status and their implementation are, at
least in a proximate sense, noneconomic factors that might affect case­
load growth, often substantially. Other factors, such as the value of
potential cash benefits relative to wages, the value of complementary
or substitute program benefits, and business conditions are clearly in
the domain of economics. The economic perspective emphasizes the
role of opportunity costs—individuals making choices comparing vari­
ous alternatives—and is particularly useful in understanding how eco­
monic and noneconomic forces interact in shaping decisions such as
applying for and being awarded disability benefits, as well as decisions
concerning leaving the disability rolls.
From the economic perspective, program participation is an outcome of the interaction of the “demand” for program benefits by individuals and the “supply” of program benefits by the government. On the demand side, the number of applications (representing the demand for awards) in part depends on

- the relative benefits of working and not working;
- the availability of substitute forms of public assistance, such as General Assistance (GA), TANF, or AFDC;
- complementary benefits provided to those receiving disability benefits—especially health insurance benefits (Medicare for DI and Medicaid for SSI beneficiaries); and
- various features of the DI and SSI programs—the costs of applying for benefits, the probability of receiving an award, and how long benefits are expected to continue.

The supply side is influenced by legislative factors, as well as administrative procedures, judicial rulings, and the resources available for making award decisions.

Once persons with disabilities begin receiving DI and/or SSI benefits, their continued “demand” for benefits is influenced by

- the duration of these benefits—over time, a beneficiary’s potential earnings decline as their human capital depreciates due to separation from the labor force;
- programmatic disincentives to work—with limited exceptions, DI beneficiaries who engage in “substantial gainful activity” (i.e., earn over $500 per month) subsequent to a nine-month trial work period lose all their disability benefits, while, apart from certain disregards, SSI beneficiaries lose a dollar of benefits for every two dollars of earnings;
- changes in their health and disability status; and
- changes in the labor market.

The “supply” of disability benefits for those on the rolls is affected by

- the number of CDRs—i.e., determining if the beneficiary’s medical condition has improved (with benefit termination for those with sufficient improvement). The number of CDRs conducted
depends both on the availability of administrative resources and the political will to conduct these often unpopular reviews;

- changes in rules concerning the effects of work on program eligibility and benefits, especially for the SSI program; and
- the availability of vocational rehabilitation services and incentives and requirements to use them.

While as a first cut the factors affecting initial awards and length of stay can be seen as sequential, changes at the "back end" of the process have potential feedback effects as well. For example, anticipated reconsideration and administrative law judge (ALJ) decisions may affect initial eligibility determination decisions by the state Disability Determination Services, as well as applicant decisions to ask for the reconsideration of unfavorable decisions and to exercise appeal rights. The perceived strictness of the disability determination process might affect applications, too. Perceptions about SSA's termination and suspension policies might affect work activities, and therefore continued eligibility, among beneficiaries.

Although the economic perspective focuses on choices made by disabled individuals, other parties often have a significant interest in this choice and may actively try to influence it. An important example is state and local governments, which have an interest in shifting the costs of welfare and health expenditures to the federal government. Other interested parties include family members, employers, health care providers, and private insurers.

All of these factors are addressed to some degree in the studies and commentaries presented at the conference and contained in this volume. Below, we describe the major issues and the overall contribution of the papers in this book to addressing those issues.

OVERVIEW OF MAJOR ISSUES

Growth in disability applications, awards, and program caseloads is affected by a host of complex factors. In this section we provide an overview of the major factors and how the contributions in this volume
fit into the literature on these factors. The factors are grouped as follows:

- population characteristics,
- labor market factors,
- other programs and policies, and
- features of SSA’s disability programs and related supply factors.

We conclude the section with an overview of major themes from the discussion of policy implications.

**Population Characteristics**

The role of demographics, particularly the aging of the baby boom generation, has long been understood as important in shaping program growth, and actuarial projections explicitly consider the role of these variables. What this volume adds is a systematic accounting of the effects of demographics on applications and awards (Stapleton et al., Chapter 2), and on duration (Rupp and Scott, Chapter 4) over various periods of interest, when considered in the context of a broader range of factors. The effects of population aging on applications and awards on the one hand, and on expected duration on the other hand, are opposite. Rupp and Scott demonstrate that the net result of the contrasting effects of the aging of the baby boom generation on caseloads—as measured by expected benefit years—is positive, but smaller than could be expected based on the effects on awards alone, due to the moderating influence of reduced expected duration associated with increased age at entry.

While changes in the size and age-gender composition of the population provide the simplest explanation of changes in DI and SSI applications and awards, they do not translate directly into changes in the target populations for the two disability programs; program eligibility requirements—the presence of qualifying disabilities and economic eligibility—form essential intervening links. The disability criteria are identical for DI and SSI, while economic eligibility is tied to disability-insured status—satisfaction of past work requirements—for DI and to a means test for SSI. All three of these criteria are influenced by factors
external to the DI and SSI programs, as well as by legislative, adminis­
trative, and judicial variables.

Three target populations can be visualized as being determined by
various combinations of disability-insured status, meeting the SSI
means test, and having a qualifying disability. Persons with qualifying
disabilities who are disability-insured but do not meet the means test
are eligible for DI only, those who are disability-insured and meet the
SSI means test qualify for both programs (concurrent eligibility), and
those who meet the SSI means test but are not disability-insured are
eligible for SSI only.

Unfortunately, available data do not permit the observation of time
series for these three target populations; in fact, there are no cross-sec­
tional data available on a reasonable proxy of the population satisfying
the disability criteria in any year. SSA's Disability Evaluation Study is
expected to provide detailed cross-sectional information on the most
important variables affecting the disability determination process, but
it will be some time before results are available from this effort.

Some information on the prevalence of self-reported disabilities is
available from various surveys, such as the National Health Interview
Survey (NHIS), the Survey of Income and Program Participation
(SIPP), and the Health and Retirement Study (HRS). While some of
the surveys (such as the HRS) incorporate a panel design, and others
(NHIS) incorporate repeated cross sections over several years, the
validity of longitudinal comparisons are seriously hampered by a vari­
ety of difficulties. Measurement of the prevalence of mental disorders
raises complex methodological issues, and the reliable estimation of
the prevalence of a number of physical and nonphysical conditions
related to important impairments in general surveys is hampered by the
small number of disabled respondents to each survey. Finally, the mea­
surement of some impairments, most notably HIV-related conditions,
has evolved through time, as these conditions became increasingly
important sources of disability applications and awards, thereby mak­
ing precise measurement of time trends difficult or impossible.

Better data are available for the measurement of trends in the DI
insured population, although when it comes to survey data, reliable
individual-level indicators are often not available. The measurement of
trends in the SSI financial eligibility variables is more problematic, pri­
marily because of the absence of good longitudinal data on assets.
Ongoing work at the Office of Research, Evaluation, and Statistics of SSA is expected to produce substantial advances in data availability, primarily through the creation of SIPP data files matched to SSA administrative records (Lahiri, Vaughan, and Wixon 1995).

Due to these data limitations, the studies incorporated in this volume relied on a patchwork of data pieces for examining the evidence concerning the effect of trends in SSA’s target populations on disability applications, awards, and duration. Even with limited and imperfect data, some interesting analyses were feasible. Stapleton et al. (Chapter 2) incorporates quantitative analyses of the role of factors such as changes in the size of the DI-insured population, the poverty rate, the percentage of children living in single-family homes, and AIDS/HIV incidence rate. Rupp and Scott (Chapter 4) demonstrate the profound effect of demographic trends and impairments in affecting duration, as well as the interaction of demographics, DI-insured status, and SSI financial eligibility in affecting awards, and duration. They also calculate the net effects on expected benefit years. Daly (Chapter 5) provides important insights into the dynamics of SSI and DI eligibility by providing longitudinal information on the changing characteristics of awardees during the five years prior to benefit receipt, based on information from the Panel Survey of Income Dynamics.

**Labor Market Factors**

One of the key issues that motivated the initiation of the research studies presented in this book was the urgent need to clarify the role of the business cycle in affecting disability applications and awards during the early 1990s. Some hoped that much of the unexpected upsurge in disability applications was the result of the recession, and therefore temporary in nature. Others were concerned that the upsurge was primarily the result of other factors responsible for more permanent and lasting shifts in the nature of SSA’s disability programs. The authors of the “709 Report” recognized that several factors probably made important contributions. For many analysts, the real question about the business cycles and other factors was not whether they had an effect, but how much. The answer to these questions had major implications both from a short-term budgetary perspective, especially as it relates to the allocation and management of funds for program administration, and
from the point of view of the assessment of the long-run financial health and viability of the disability programs.

While there have been numerous previous econometric studies estimating the effects of the business cycle on DI applications, awards, and caseloads, previous studies have suffered from various specification problems or low statistical power, or both. The aggregate time-series approach used in most previous studies has difficulty disentangling the effects of program changes, business cycles, and other factors, while the cross-sectional approach used in some studies had to rely on cross-state or county variation in labor market measures that is confounded with cross-state/county variation in many unmeasurable factors.

An important methodological contribution of the research effort reflected in this book is the use of state-level pooled cross-section/time-series methods to address the seemingly intractable problem of business cycle effects. This approach, presented in detail by Stapleton et al. in Chapter 2, controls for permanent differences among the states endemic to cross-sectional analyses of state data and eliminates the confounding effect of national changes endemic to time-series studies. As a result, the findings are much stronger and more credible than those obtained previously. Because of the importance of this contribution, we compare the findings presented in Chapter 2 to those from the previous literature here (Exhibit 1.2).

The new results provide strong evidence to support the conclusions from those previous studies that found significant business cycle effects. The new estimates are, however, somewhat sensitive to the data, specification, and time period chosen for the analysis, as discussed in Chapter 2.

The importance of business cycles and economic restructuring is further supported by the qualitative evidence presented in Chapters 6 (Muller and Wheeler) and Chapter 8 (Livermore, Stapleton, and Zeuschner), and by the first-hand observations of Massanari and of Hemingson (Chapter 10). An important conclusion from the five case studies conducted by Lewin researchers (Chapter 8) is that the regression estimates of the impact of the recession are probably conservative, because the models failed to capture important subtleties of the business cycle that, according to interviewees, significantly influence applications and awards.
### Exhibit 1.2 Estimates of the Effect of a 1 Percentage Point Rise in the Unemployment Rate on Disability Program Growth for Adults

<table>
<thead>
<tr>
<th>Study</th>
<th>Data type</th>
<th>Period</th>
<th>Estimated effect of a 1 percentage point increase in unemployment</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Applications</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hambor 1975</td>
<td>Quarterly, national</td>
<td>1964–71</td>
<td>7% for DI</td>
</tr>
<tr>
<td>Lando 1974</td>
<td>Quarterly, national</td>
<td>1962–73</td>
<td>2–4% for DI</td>
</tr>
<tr>
<td>Lando, Coate, and Kraus 1979</td>
<td>Quarterly, national</td>
<td>1964–78</td>
<td>2–7% for DI</td>
</tr>
<tr>
<td>Halpern 1989</td>
<td>Quarterly, national</td>
<td>1964–78</td>
<td>Negligible for DI</td>
</tr>
<tr>
<td>Muller 1982</td>
<td>Annual, individual, cross-section</td>
<td>1972</td>
<td>Negligible for DI</td>
</tr>
<tr>
<td>Levy and Krute 1983</td>
<td>Annual, individual, cross-section</td>
<td>1978</td>
<td>Negligible for DI</td>
</tr>
<tr>
<td>Stapleton et al., Chapter 2</td>
<td>Annual, pooled cross-section/time-series</td>
<td>1988–92</td>
<td>4% for DI-only, 4% for DI-concurrent, 2% for SSI</td>
</tr>
<tr>
<td><strong>Initial Determinations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
| Stapleton et al., Chapter 2        | Annual, pooled cross-section/time-series | 1980–93 | DI-only: 2% in year of change
 |                                    | (SSI-only includes children)           |           | 3% after one year
 |                                    |                                        |           | 5% after two years                                           |
|                                   |                                        |           | Concurrent: 2% in year of change                              |
|                                   |                                        |           | 4% after one year                                            |
|                                   |                                        |           | 5% after two years                                           |
|                                   |                                        |           | SSI-only: 0% in year of change                                |
|                                   |                                        |           | 1% after one year                                            |
|                                   |                                        |           | 3% after two years                                           |

SSI-only includes children.
### Exhibit 1.2 (continued)

<table>
<thead>
<tr>
<th>Awards</th>
<th>Initial Allowance Rate</th>
<th>Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Awards</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hambor 1975</td>
<td>Quarterly, national</td>
<td>1964–71</td>
</tr>
<tr>
<td>Lando 1974</td>
<td>Annual, state-level cross-section</td>
<td>1975</td>
</tr>
<tr>
<td>Muller 1982</td>
<td>Annual, individual, cross-section</td>
<td>1972</td>
</tr>
<tr>
<td>Levy and Krute 1983</td>
<td>Annual, individual, cross-section</td>
<td>1978</td>
</tr>
<tr>
<td>Stapleton et al., Chapter 2</td>
<td>Annual, pooled, state-level cross-section disaggregated by age, gender, and impairment</td>
<td>1988–92</td>
</tr>
</tbody>
</table>

| **Initial Allowance Rate** | | |
| ------- | | |
| Stapleton et al., Chapter 2 | Annual, pooled cross-section/time-series (SSI-only includes children) | 1980–93 | DI-only: 0 points in year of change |
| | | | –1 point after one year |
| | | | –1 point after two years |
| | | | Concurrent: 0 points in year of change |
| | | | –1 point after one year |
| | | | –2 points after two years |
| | | | SSI-only: 0 points in year of change |
| | | | –1 point after one year |
| | | | –2 points after two years |

| **Beneficiaries** | | |
| ------------- | | |
| Thompson and Van de Water 1975 | Quarterly, national | 1963–74 | 1% for DI |
| Cromwell, Hurdle, and Wedig 1986 | Quarterly, pooled, state-level cross-section | 1975–83 | Negligible for SSI Medicaid enrollees |
Other Programs and Policies

An important focus of this book is how interactions with other cash and in-kind programs affect the growth of SSA's disability programs. Economic theory suggests that the availability of benefits through other programs and their relative value should affect the decision to apply for disability benefits. This is an important topic, particularly in light of substantial secular changes in the relative value of public benefits such as general assistance—the generic term for welfare programs funded entirely by state and local governments, TANF (and the previous AFDC program it replaced), Medicaid, and Medicare.

Other programs can be classified as either "substitutes" or "complements" for DI and/or SSI, in the economic sense of these terms. Substitute programs are those for which an expansion in the value of benefits reduces applications and awards for the SSA programs; benefit expansion for complementary programs increases applications and awards. GA and TANF/AFDC benefits are substitutes for SSI; they result in a dollar-for-dollar reduction of SSI benefits. Decreases in the relative value or availability of GA or TANF/AFDC benefits are expected to increase SSI applications and awards—the extent depending on the prevalence of severe disabilities among GA or TANF/AFDC beneficiaries. Medicaid and Medicare are clearly complements of SSI and DI, respectively because the later programs are gateways for those with disabilities to the former. Increases in the value of Medicaid and Medicare benefits increase the relative attractiveness of SSA's disability programs, and hence the demand for their benefits. Expansion of Medicaid to persons with disabilities who are not sufficiently poor to qualify for SSI or some form of universal health insurance coverage would reduce or eliminate the complementarity between medical insurance and the disability programs.

This book includes econometric analyses of the effects of GA program cuts and the relative value of AFDC benefits, Medicaid benefits, and SSI state supplements on applications and awards using pooled state data (Stapleton et al., Chapter 2), an econometric analysis of the impact of health care costs and Medicaid on SSI participation based on Current Population Survey data for 1987 to 1992 (Yelowitz, Chapter 4), and an in-depth analysis of the impact of the termination of Michigan's GA program on SSI application and award growth (Bound, Kos-
soudji, and Ricart-Moes, Chapter 7). The pioneering quantitative analyses in these studies are supplemented by valuable qualitative information gained through SSA's field manager survey (Muller and Wheeler, Chapter 6), case studies conducted in five states (Livermore, Stapleton, and Zeuschner, Chapter 8), research conducted by the General Accounting Office (Bordelon's comments on Chapters 6–8), and the experiences of administrators (Chapter 10, Massanari, Hemingson, Jones)—including Charles Jones, who was the director of the Michigan Disability Determination Service when Michigan's GA program ended.

Overall, both the quantitative and qualitative evidence supports the notion that such program interactions are extremely important in understanding the growth of the SSA disability caseload. In some areas, most notably with respect to the effects of the GA program cuts, the quantitative estimates show a consistent pattern of strong effects. Point estimates of the effects of changes in Medicaid and AFDC benefits are much more tentative, and the studies point to a wide range of complex data and methodological problems to be explored in subsequent work.

The recent passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 increases the importance of this line of work for the timely understanding and, potentially, the anticipation of the impact of welfare program changes on the disability programs. Some provisions of the legislation directly restrict eligibility for SSA disability benefits (among children and immigrants), and related legislation limits the access of persons with drug addiction and alcoholism to disability benefits. These changes alone will reduce the number of beneficiaries, although the extent of their impact will depend on how many of the individuals affected are able to obtain benefits anyway (e.g., by becoming citizens in the case of immigrants, and by qualifying under a different impairment category for others.)

Other provisions of the Act, however, will almost certainly contribute to DI and SSI program growth—potentially more than offsetting the reductions caused by the provisions concerning the SSA disability programs. The replacement of the federal match of state AFDC funding by federal block grants to states for TANF greatly, and immediately, increases the financial incentives of the states for cost-shifting. The new emphasis on temporary assistance, the expectation that TANF
recipients will become self-supporting or seek other sources of assistance, eligibility restrictions, time limits, work requirements, benefit reductions, and other conditions states may impose will increase the incentives to apply for SSI and/or DI among those beneficiaries with disabilities. Because states are charged with the responsibility for designing their own TANF programs, substantial state-to-state variations are likely in these effects. Moreover, the full effects of the changes may not be realized for several years, due to the time needed to redesign state systems, the likely trial and error character of reform, the inherently dynamic nature of some policy tools (e.g., time limits), and lags in behavioral responses.

The studies included in this volume suggest that the empirical study of the effect of changes in non-SSA components of the social safety net on SSA caseloads, albeit difficult, is not impossible. Moreover, the one area where this research probably made the most headway toward solid empirical estimates, the effect of the elimination or reduction in GA programs, is probably the most instructive for the study of the indirect effects of the welfare reform legislation, because the incentives related to GA cuts in many respects are analogous to the incentives that apply to TANF. Given the large magnitude of the estimated GA cut-back effects, the GA experience points to the potential for large TANF effects, especially in states embarking on radical restrictions of TANF eligibility and substantial reductions in benefit levels. Although the incidence of severe disabilities is presumably much lower among TANF recipients than among GA recipients, the number of TANF recipients is much larger.

Features of SSA’s Disability Programs and Related Supply Factors

Features of SSA’s disability programs such as the real value of benefits, legislative and administrative actions affecting eligibility determination, work incentive provisions, CDRs, and SSA outreach activities might substantially affect applications, awards, and duration on the rolls. Other supply factors, such as judicial rulings on appealed cases, also play a role. Research on the effects of these factors is, unfortunately, extremely difficult to perform: first, because there is only limited variation in the data; second, because most changes that do occur tend to affect the whole program, so there are no natural comparison
groups; and/or third, because it is extremely difficult to disentangle the effect of programmatic factors from potential confounding factors.

Supply factors can affect applications, awards, and duration on the rolls. This volume contains contributions in each of these areas. The most salient overall econometric evidence of the importance of the contribution of supply factors to recent growth is the fact that the demand factors in the application and award models estimated by Stapleton et al. (Chapter 2) account for proportionately more application growth than award growth, but total award growth was proportionately greater than application growth; i.e., the demand factors predict an allowance rate decline, but in fact allowance rates increased. The proportionately smaller effect of demand factors on awards implies that, in a broad sense, SSA's disability determination process screens out marginally qualified applicants. The only plausible explanation for the increase in allowance rates despite the decline implied by demand factors is an upward shift in supply. The fact that the largest increases in application and award growth occurred in impairment categories that would most likely be affected by some of the administrative changes that occurred over the period—mental and musculoskeletal impairments—reinforces this interpretation.

A crucial piece of previous research highlighting the importance of supply factors was a study by Parsons (1991) estimating the effect of denial rates on subsequent applications. Stapleton et al. (Chapter 2) confirm the importance of the perceived “tightness” of eligibility determination, albeit on a lesser scale than was indicated by Parsons’ work.

The importance of supply factors in affecting applications and awards is further highlighted by the results of SSA's field manager survey reported by Muller and Wheeler (Chapter 6), case studies in five states (Livermore, Stapleton, and Zeuschner, Chapter 8), and the observations of administrators (Chapter 10, Massanari, Hemingson, Jones). Field office managers display a high degree of awareness of supply factors, such as court cases, congressional mandates, outreach activities, and changes in medical standards. Changes that appear to have had an impact include the 1985 changes to the mental impairment listings, increased emphasis on source evidence, increased consideration of pain and other symptoms, SSI outreach, the decline in CDRs, court decisions (especially Sullivan v. Zebley, for child SSI applicants), and
changes in the adjudicative climate. The relative importance of these factors is unknown.

Several supply factors are relevant primarily through their actual or potential effects on duration on the rolls. The potential of policies designed to reduce duration on the rolls is highlighted by the analysis of Rupp and Scott (Chapter 4), who show that expected lifetime duration on the rolls is extremely long for both DI and SSI, and is increasing as a result of the decline in the average age at first award for both programs. The results are particularly striking for SSI, where the means test provides a potentially important supply constraint; although a high proportion of SSI disability awardees leave the rolls as a result of the means test, many of them return, and overall total duration among working-age SSI awardees before age 65 is roughly comparable for SSI and DI.

Work incentives and vocational rehabilitation on the one hand, and CDRs on the other hand, represent two generic approaches to reducing duration. The first of these approaches are voluntary mechanisms, while the latter, as well as time-limited benefits briefly experimented with in the context of DAA cases, represents the mandatory removal of cases no longer deemed to qualify. Policymakers and analysts find that the experience with both strategies has been disappointing to date. While CDRs were successful in removing many people from the disability rolls during the Reagan years, many returned; a substantial political backlash, followed by a reversal of CDR policies, was the result. Whether the recent allocation of more resources for CDRs will result in substantial and marked reduction in the disability rolls remains to be seen. The evidence to date suggests that the liberalization of work incentives under SSA's disability programs during the 1980s, if anything, increased duration on the rolls. Vocational rehabilitation has affected only a small fraction of beneficiaries to date.

Rupp and Scott (Chapter 4) provide part of the explanation for the failure of past policies to reduce duration. The DI and SSI data reveal that a substantial share of both DI and SSI awardees face very high mortality risk. Data from other sources (e.g., the recently completed Project NetWork baseline survey of both disability beneficiaries who volunteer for vocational rehabilitation and those who do not) suggest that disability beneficiaries, as a group, face enormous health problems that limit the ability to work and daily functioning. Many respondents
reported substantial bed-days during the previous year, and close to half scored depressed on the CES-D depression screener (Rupp, Wood, and Bell 1996). Thus, it appears, that the tightness of SSA's disability determination screen limits the potential for back-end interventions. Other explanations for the poor performance of past policies include the fact that program incentives to demonstrate inability to work at the front end of the process are extremely strong, and that the health and human capital of beneficiaries are likely to deteriorate as they continue on the rolls.

As Daly (Chapter 5) shows, SSI recipients tend to have an extremely weak attachment to the labor market to start with, a factor also reducing the potential for back-end labor market interventions. The contribution by Craig Thornton (in Chapter 12) based on the results of the Transitional Employment Training Demonstration shows some success with vocational rehabilitation strategies, but on a very limited scale. While the net impact results from the Project NetWork experiments are not available yet, the degree of participation has been modest (Rupp, Wood, and Bell 1996).

**Policy Implications**

The policy discussions cover a broad range of issues, but a number of clear themes emerge. These themes for the most part reflect recognition of the importance of economic factors in determining program participation and concern over growth in program participation—especially among young adults. All of these themes first appear in the contribution of SSA's Gil Fisher and Mindy Upp (Chapter 9), the first chapter in Part III.

There is a clear consensus among the diverse authors that the disability programs do not distinguish between those who are able to work and those who are not (as required by the Social Security Act), but rather between those who are expected to work and those who are not. Some point out that the "can/cannot work" dichotomy of the programs is fundamentally in conflict with the growing acceptance of the idea that people with disabilities can work and should be afforded the opportunity to work, as embodied in the Americans with Disabilities Act (see Chapter 11, S. Ross, J. Ross, Weaver). Several authors discuss a "continuum" of ability to work and the need to "make work pay" for
people with disabilities (Chapter 11, Batavia, Goldman, J. Ross, Weaver). In recognition of this continuum, some recommend consideration of policies such as partial disability categories, subsidies for work (e.g., the Disabled Workers' Tax Credit), and improved access to health insurance for disabled workers (Chapter 11, J. Ross; Chapter 12, Daniels and West, Burkhauser).

A number of authors address the temporal dimension of disability (Chapter 11, Batavia, Goldman, J. Ross, Weaver; Burkhauser, Chapter 13). The DI program was originally established as an "early retirement" program, primarily for older workers whose physical disabilities forced them to leave the labor force prematurely and permanently. Although this scenario applies to some beneficiaries today, many who have entered beneficiary status more recently have been younger adults who are expected to remain beneficiaries for many years. These authors express great concern about growth in long-term dependency. Some conclude that many have been enticed into a lifetime of dependency and poverty by the program's promise of income security—a promise that is increasingly difficult to keep as program growth strains federal resources and taxpayers begin to question whether some beneficiaries are deserving of support (Chapter 11, Batavia, Weaver; Burkhauser, Chapter 13).

Many young beneficiaries have chronic health conditions that, with proper treatment, may be controlled sufficiently to allow them to work. The most frequently cited examples of such conditions are affective and anxiety disorders. Two authors propose time-limited benefits for selected groups of beneficiaries to address this problem (Chapter 11, Batavia, Weaver), but another author argues that specific time limits would lead to untimely, harmful terminations for many and suggests, instead, more rigorous enforcement of current review policies, which would hold harmless those who have not recovered (Chapter 11, Goldman).

Substantial discussion focuses on employment strategies. Several authors call for more emphasis on front-end interventions, shortly after the onset of the disability, instead of on back-end interventions that are used only after an individual has had to demonstrate inability to work in order to obtain program benefits (Chapter 11, J. Ross, Weaver; Chapter 12, Daniels and West, Burkhauser; Burkhauser, Chapter 13). One author suggests following the prevention and early-intervention
approaches of private disability insurers and disability management service providers (Chapter 12, Owens). Another suggests expansion of the role of the private sector in the provision of rehabilitation services (Chapter 11, J. Ross). Others emphasize the importance of customer choice in the purchase of rehabilitation and other services (Chapter 12, Daniels and West). The need for ongoing employment support for those with chronic conditions and strategies to improve employment outcomes for those with childhood disabilities are also discussed (Chapter 11, Goldman; Chapter 12, Thornton).

The abundance of sentiment for fundamental changes in federal disability policy is striking. Yet, while many of the authors express support for such changes, they also urge caution in moving ahead. The need for incremental change, even if radical, is most clearly expressed by Stan Ross (in Chapter 11), who points to the vulnerability of the population that the programs serve, the difficulties that large administrative agencies have in implementing change, and the resources needed to effect change as reasons to pursue a cautious, bipartisan approach. The international experience with disability programs is also a cautionary tale (Chapter 12, Burkhauser). Any changes must be considered in the broader context of conflicting political pressures to reduce budgets, devolve programs to states, expect personal responsibility and enforce civil rights.

**ORGANIZATION OF THE VOLUME**

The book is organized into three parts. Part I contains empirical analyses of the national experience. The analyses in these chapters are primarily, though not exclusively, based on quantitative studies. Chapter 2, the longest in the book, and the richest in empirical detail, summarizes the results of the econometric analyses of application and award growth that have been conducted by the Lewin team. Chapter 3, by Aaron Yelowitz, provides an econometric analysis of the impact of health care costs and Medicaid on SSI. In Chapter 4, Kalman Rupp and Charles Scott analyze trends in duration in SSA’s disability programs based on the rich administrative data sources that have been created to track monthly payments in the DI and SSI programs over the years. In
Chapter 5, Mary Daly looks at the experience of SSI and DI recipients during the five years prior to program participation, using data from the Panel Study of Income Dynamics.

Part II of the book provides a closer, more qualitative, look at state and local experiences. Chapter 6, by L. Scott Muller and Peter Wheeler, provides an in-depth analysis of the perceptions of SSA field office managers based on a detailed survey. Chapter 7, by John Bound, Sherrie Kossoudji, and Gema Ricart-Moes, is a detailed case study of the effects of the elimination of general assistance in Michigan on SSI, utilizing both qualitative and quantitative information—including data obtained from a match of Michigan GA records to SSA records. Finally, Chapter 8, by Gina Livermore, David Stapleton, and Andrea Zeuschner, summarizes the results of case studies in five states conducted by the Lewin research team.

Part III of the book provides perspectives on program growth and policy by various actors in the disability community. In Chapter 9, Gilbert Fisher and Melinda Upp provide a perspective from the central office of SSA. This is followed by Chapter 10, presenting the perspectives of regional and state SSA and Disability Determination Services officials—Larry Massanari, Celeste Hemingson, and Charles Jones. In Chapter 11, five opinion leaders in the national disability policy analysis community—Stanford Ross, Andrew Batavia, Howard Goldman, Jane Ross, and Carolyn Weaver—discuss the implications of the research findings for disability policy. Four additional papers by policy experts—Susan Daniels and Jane West, Richard Burkhauser, Patricia Owens, and Craig Thornton—focus on employment policies in Chapter 12. Richard Burkhauser’s summation and reflections on the past and future of the disability programs concludes the volume.

Notes

1. The SSI beneficiary number does not include 0.2 million disabled beneficiaries who received state supplement payments only, and the expenditure figure does not include $0.2 billion in state supplements. (Social Security Bulletin, 1996 Annual Statistical Supplement.)

2. The Medicaid figure is an estimate because exact figures for Medicaid enrollees who are SSI-disability recipients are not reported. SSI-disability recipients are included in a larger class of “disabled” Medicaid enrollees, for whom Medicaid paid $49.4 billion in benefits in 1995. The $40 billion estimate assumes that the
share of this spending that is for SSI-disability recipients equals the ratio of SSI-disability recipients (4.9 million) to disabled Medicaid enrollees (5.9 million). (Social Security Bulletin, 1996 Annual Statistical Supplement.)

References


