Rethinking the Social Security Disability Programs: Causes and Options

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The Social Security Disability Insurance (DI) and Supplemental Security Income (SSI) programs have been experiencing substantial stress as a consequence of rapid growth in the number of program beneficiaries. Several operational problems have also contributed to program stress. For example, the media have spotlighted several examples of program abuse and inadequate management action, and policy analysts have criticized the inefficiency of the disability eligibility determination process as well as the lack of attention to assisting beneficiaries in returning to gainful employment. Faced with this broad range of problems and the increased scrutiny focused on these programs, policymakers and the public seem to be open to considering program changes.

At the same time, changes have occurred in the way society views people with physical and mental impairments—changes that are leading to a rethinking of the relationship between cash benefit programs, such as DI and SSI, and the ability of people with significant impairments to engage in productive work.

These comments address some of the operational problems within the DI and SSI programs and some of the societal changes that, in combination, are resulting in a receptiveness to rethinking the purpose and design of these programs. The comments also summarize some of the proposals for change that are currently being discussed.
OPERATIONAL PROBLEMS

Both DI and SSI currently have significant backlogs of cases awaiting decisions on eligibility. In particular, waiting time for those who are appealing denials of their initial application now averages about a year.

As the Social Security Administration (SSA) has struggled to process the tremendous number of applications for benefits, it has for many years reduced the number of reviews of the disability status of people already receiving benefits. Since the same workers are responsible for initial determinations and these periodic reviews, SSA has had to prioritize workloads and has done so by limiting its reviews of continuing disability status.2

The net result of the eligibility determination backlogs and limited review of continuing eligibility is that SSA has been giving poor service to its applicants and neglecting its responsibility for maintaining program integrity.

A second operational problem involves Administrative Law Judges (ALJs), who hear the appeals of applications that have been denied. The ALJs are reversing decisions denied at the initial level in about 70 percent of the cases that they hear. This reversal rate is much higher than it has been in years past and reflects the lack of a consistent systemwide process for determining eligibility. Adverse publicity about SSI program abuse by drug addicts and alcoholics, the parents of some disabled children, prisoners, and immigrants also signals that program managers have not been sufficiently vigilant in determining eligibility for benefits or monitoring people once they begin receiving benefits.

Finally, neither the DI nor the SSI program has a good record of returning beneficiaries to work. While no one is certain what proportion of the beneficiary population can be expected to work, currently about 1 in 500 DI beneficiaries leaves the benefit rolls to return to work—a number that is generally agreed to be too low.
SOCIETAL CHANGES

Society’s view of the right of people with physical and mental impairments to be accommodated in the work place has changed significantly. The public appears to believe that people with impairments ought to be assisted in a variety of ways to lead economically productive lives. More and more, we are coming to believe that categorizing people as either disabled or not disabled can’t be done accurately. Rather, disabled people have a broad range of impairments with varying levels of severity. Many can be assisted to increase their involvement with the workplace through adaptive technology and medical advancements.

There is also greater appreciation that the link between medical impairments and ability to work is a weak one. Several studies suggest that medical criteria by themselves are poor predictors of work potential, and many people who meet the DI and SSI eligibility criteria currently are working.

Society in general also seems to think that people ought to work. This view suggests not only that people ought to work if they are better off financially when working than when not working, but that most people have a responsibility to work. We have seen this view come to the fore in the new welfare legislation that limits the amount of time individuals can draw benefits. Such proposals are framed in terms of numbers of years of receiving benefits, not in terms of income available to the family. This same view is now being articulated with respect to disabled people in proposals that would limit the amount of time that they can receive DI and SSI benefits.

There is also a general concern about the overall size of the government sector and whether programs such as DI and SSI are including larger numbers of people than is appropriate. In the case of the DI program, some people are also concerned that taxes used to fund DI benefits reduce the revenue that realistically can be raised for the retirement and survivors’ insurance programs.

These shifts in the way decision makers and the public think about people with disabilities and about the size of the disability programs have generated a great deal of discussion about how to ensure that
everyone who can work is assisted in doing so, while still ensuring income support for those who are unable to work.

**POLICY OPTIONS**

The policy options currently being discussed can be described as fitting into one of three categories: incremental changes that modify specific provisions to encourage work, leaving the structure of the DI and SSI programs intact; changes that alter the current terms under which benefits are received, such as imposing time limits for certain beneficiaries, but leave the current eligibility definitions in place; and changes that fundamentally redefine program eligibility and the benefit structure.

Regardless of whether incremental or more fundamental change might occur, most participants in discussions about DI and SSI policy changes agree that two actions currently under way at SSA must go forward. The first and most ambitious of these is the disability redesign project, the goal of which is to make the disability determination process more timely, consistent, and cost-effective. This effort includes initiatives designed to reduce the time involved in making determinations to standardize the ways in which disability is evaluated at all levels of decision making, and to change the standards by which disability is evaluated toward measuring one's ability to function in the workplace. Second, there also appears to be general agreement that SSA should increase the number of reviews of continuing eligibility that it performs, so that individuals with some likelihood of medical recovery will be reviewed on a regular basis.

**INCREMENTAL CHANGES**

The main thrust of most incremental reforms is to increase the total income and benefits of current beneficiaries who attempt to work. One such measure would increase the amount that a beneficiary could earn while still receiving benefits. Currently, most beneficiaries become
ineligible to receive benefits when they earn more than $500 a month for nine months.

Another proposal suggests reducing cash benefits gradually as earnings increase over time, rather than terminating benefits abruptly after a certain time at work or after a certain earnings level has been achieved, as is currently the case. (This proposal is targeted primarily at DI, since SSI already has this more gradual benefit offset.)

A third suggestion is that beneficiaries who return to work be allowed to retain their Medicare or Medicaid eligibility for much longer periods than provided in current law. The fear of losing medical coverage may be the most powerful barrier facing beneficiaries who consider attempting to work.

Others have suggested a different type of work incentive—a tax credit that functions as an earnings supplement for beneficiaries who work. A credit would be designed to ensure that an individual’s combined income from earnings and the tax credit would be sufficient to encourage him or her to try to work and then to stay at work.

A final example of incremental change is a proposal to allow SSA to use private rehabilitation firms to help beneficiaries develop skills that will facilitate their return to work. Currently, almost all vocational rehabilitation financed by SSA is conducted by state agencies. Many people believe that expanding the capacity of rehabilitation services and introducing competition among providers would be more effective in returning beneficiaries to productive activity.

**INCREMENTAL PLUS**

Some participants in the current policy discussions are concerned that the incremental options listed above will not provide enough encouragement for current beneficiaries to attempt to work. They believe that younger beneficiaries or those with certain impairments should receive benefits only for a limited number of years, so that they will have very strong incentives to try to work. Time-limited or temporary benefits could be proposed in conjunction with several of the incremental options.
Another more substantial change to encourage more attempts to return to work would be to provide vocational rehabilitation services to people who have not yet been determined to be eligible for benefits. This approach has been suggested by those who believe that rehabilitation would be much more successful if it were provided well before the time an individual is determined to be eligible for benefits.

**FUNDAMENTAL CHANGE**

This category of suggested policy changes involves a fundamental reorientation of the DI and SSI programs, with a shift in focus from proving an individual’s inability to work to enhancing and supporting an individual’s ability to work. The programs might run on two tracks. One track would be reserved for those whose disabilities represent much more profound functional limitations than the current DI and SSI definitions. These individuals would be evaluated as the most unlikely to return to work. The second track would be for those with some remaining capacity to function in the workplace, but a level roughly the same as the current DI and SSI definition of disability. The program rules for this group would be quite different from those that exist today and would allow for long-term receipt of both benefits and earnings. The idea would be to encourage as much work as possible and allow benefits to serve as a supplement. The underlying rationale for segmenting the program in this way would be to separate the conflicting goals in the current system, providing full benefits as long as an individual couldn’t work while providing significant encouragement and incentives to work.

**CONCLUSION**

The DI and SSI programs are being criticized because of operational failings and because they appear to undercut the beliefs that people with severe impairments ought to have more opportunity to work and that cash benefits should be viewed as a last option. Policymakers and
the public appear willing to consider changes in the DI and SSI programs to address both of these types of problems. Many ideas for operational changes are incorporated in SSA's disability redesign initiative, but its focus does not extend to assisting and encouraging beneficiaries to return to work. Proposals to encourage return to work range from changes in the amounts that individuals can earn and still retain eligibility for benefits to restructuring the programs so that some individuals receive both benefits and earnings while those who are unable to work continue to receive cash benefits.

Those who support more fundamental reforms acknowledge that they don't know what proportion of the DI and SSI populations can be expected to work. Even if there is a shift in attitude toward much greater emphasis on work, the DI and SSI definition of disability is very strict, and most people receiving benefits have severe mental and physical impairments. Supporters of these fundamental reforms point out, however, that those who apply for benefits under new program rules may be more open to the possibility of change than those who are currently receiving benefits and who may not be able to adjust to these new expectations.

Common to all of these proposals is the recognition that the characteristics of people receiving benefits are changing as are the societal norms about the programs and their beneficiaries. In order to restore wide public support, DI and SSI will need to respond to these new realities.

Notes

1. These comments were revised in September 1996 to reflect recent developments in legislative provisions and in program growth.

2. In 1996, the Contract with America Advancement Act authorized over $4 billion in separate funding for reviews of disability status in fiscal years 1996 through 2002. In addition, the Personal Responsibility and Work Opportunity Reconciliation Act authorized an additional $250 million total in fiscal years 1997 and 1998 for SSI reviews. These additional funds, as appropriated, will allow SSA to do more disability status reviews without shifting resources away from competing priorities.