Understanding Social Security Disability Insurance

Interactions with Other Programs

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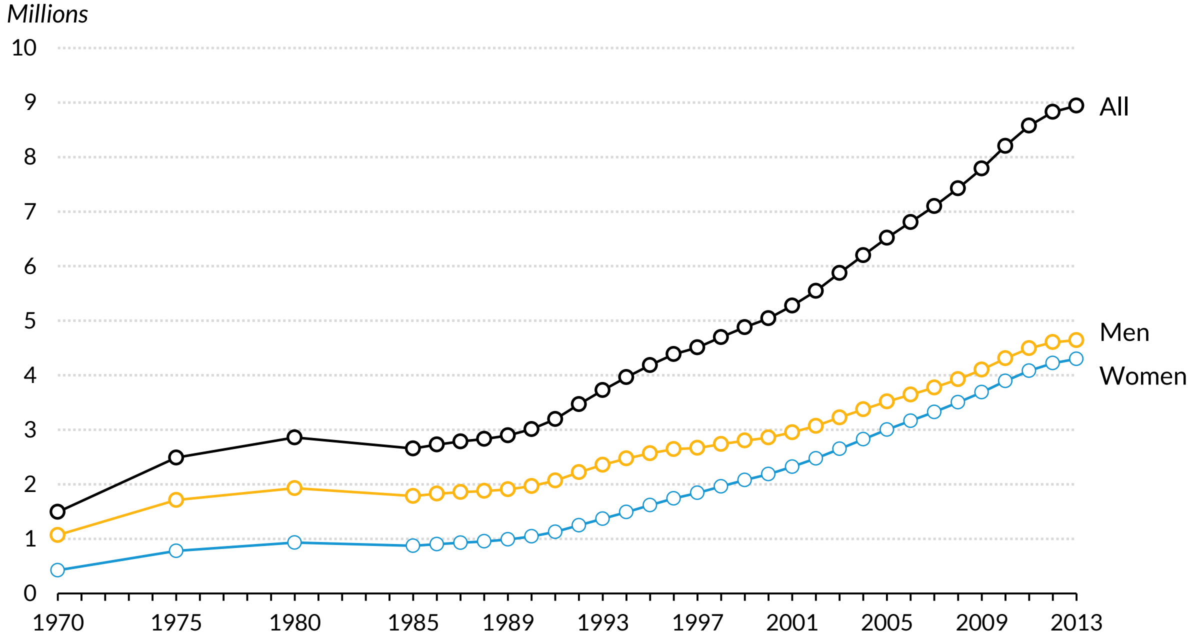
The Social Security Disability Insurance (DI) program provides benefits to nearly 9 million disabled workers, almost six times the 1.5 million disabled workers who received benefits in 1970 (figure 1).[1] DI also provides benefits to many dependents of disabled workers, including over 150,000 spouses and 1.9 million children who are age 18 and younger or full-time students.[2] Growth in the caseload of disabled workers—and the associated fiscal strain on the program—can be traced to multiple factors, including demographics, the labor force, federal policy, opportunities for work, and interactions with other government support programs.

DI faces important policy issues, especially concerns about program growth and the future adequacy of the Social Security trust fund, which funds the program. Understanding how the DI program interacts with other programs is important if policymakers are to address these issues and to determine how extensively the government can support workers with disabilities and their families. DI beneficiaries' eligibility for other benefit programs can impact their decisions to apply for DI, which can affect federal budget outlays. This brief describes these program interactions and what they mean for the DI program.

FIGURE 1

Number of Disabled Workers Receiving Disability Insurance Benefits

1970–2013



Source: Social Security Administration (2015), table 5.D3.
Note: This figure was made extracting data from the Urban Institute's "Social Security Data Tool," at http://apps.urban.org/features/social-security-data-tool/.

Nearly 11 million workers with disabilities and their families received benefits through the DI program in 2013. Workers are eligible for DI if they have a medical condition expected to last at least one year or to result in death, if they have worked a set number of years before the onset of their disability (dependent on the age of onset), and if they have paid Social Security taxes. DI benefit levels are determined relative to the insured worker's earnings. Benefit receipt cannot begin until at least five months after the onset of disability.

In 2013, workers with disabilities received an average monthly benefit of $1,146,[3] just shy of $14,000 per year, or about $2,300 more than the federal poverty guideline for a family of one.[4] After 24 months of receiving DI benefits, beneficiaries are eligible for health coverage through Medicare, receiving free Hospital Insurance (Part A). In some states, beneficiaries also receive total or partial premium coverage for Medicare's Supplemental Medical Insurance (Part B). DI benefits are generally reduced if the beneficiary earns more than a threshold called the "substantial gainful activity amount," which was $1,820 per month in 2015. Earning above that threshold for a long enough period would lead to cessation of DI benefits and, ultimately, Medicare benefits.

What Other Program Benefits Do DI Beneficiaries Receive?

DI Beneficiaries can be eligible for multiple other programs. Interactions between DI and other programs are vital not only to the beneficiary, but also to state and federal budgets. Changing the benefit amounts received through, say, DI can have ramifications for eligibility and benefits paid through other programs.

DI Beneficiaries and Means-Tested Benefits

DI beneficiaries with low earnings and assets may also be eligible for other "means-tested" programs, which determine eligibility based on income. The Supplemental Security Income (SSI) program, also administered by the Social Security Administration (SSA), is an important source of additional cash assistance to low-income DI beneficiaries. One study estimated that about a third of disabled workers receiving DI were concurrently receiving SSI benefits (Rupp, Davies, and Strand 2008). Those meeting the SSI income eligibility criteria are likely to receive this benefit, given both programs use the same disability definition and determination process. Another associated benefit of SSI is that recipients automatically receive health coverage through Medicaid when they are determined eligible for SSI—there is no waiting period. Thus, DI recipients who receive SSI also have health coverage during the 24-month waiting period for Medicare, described above. Benefits received from DI are considered income and are included in calculating an individual's SSI benefit level. One study found that SSI also provides some DI applicants with temporary support during the five-month period after onset of disability but before DI benefits start. Many of these beneficiaries lose SSI eligibility when DI benefits start because the higher DI benefit completely offsets the SSI benefit (Rupp, Davies, and Strand 2008).

Other means-tested programs for which low-income DI beneficiaries may be eligible include Temporary Assistance for Needy Families (TANF), which is cash assistance for families with minor children, and the Supplemental Nutrition Assistance Program (SNAP), which provides nutrition assistance. These programs interact with DI in that they take DI income into account when determining benefits. The higher the DI benefit, the lower the benefit from other means-tested programs. Those negative interactions may dissuade people from applying for additional benefit programs. Explicit rules allow concurrent benefit receipt: households in which all members receive SSI are also eligible for SNAP benefits. In many cases, income eligibility for SSI is automatically determined when one applies for DI.

DI Beneficiaries and Other Benefit Programs

DI beneficiaries may receive other public benefits such as unemployment insurance (UI), temporary disability insurance (TDI), workers' compensation, state and local disability benefits, and veterans administration benefits. These benefits are not dependent on an individuals' income, but each has its own eligibility criteria. Some DI beneficiaries may receive UI or TDI after losing a job, most commonly before or during the DI application process. A report by the US Government Accountability Office (2012) found that less than 1 percent of DI beneficiaries concurrently received DI and UI benefits in

2010; however, this estimate might understate the number of DI beneficiaries who have received UI benefits at the time they claimed disability benefits. Receipt of public workers' compensation benefits can reduce the amount of DI benefits received.

How Do Other Programs Impact DI Application?

Other programs available to DI beneficiaries can affect workers' decisions on whether and when to apply for DI and on whether and when to stop working. These interactions impact the size of the DI caseload and government outlays for DI. They also have implications for beneficiaries' well-being; for example, how much of their predisability earnings the benefits replace; how they receive health care, and what kind; and how and whether they can ultimately return to work. In this section, we discuss three types of program interactions: the connection between DI and Social Security retirement benefits; the interactions among temporary programs for unemployed workers, DI, and work; and the role of access to health insurance coverage associated with DI and DI application.

Social Security Retirement Benefits and DI

The Social Security retirement program is closely related to DI. The two programs have the same benefit formula, and DI beneficiaries move to the retirement program after reaching the full retirement age (66 for people born between 1943 and 1954). Because of these administrative similarities and overlap, changes to one program could affect the number of people on the other. As an example, to help reduce long-run program costs, the Social Security Amendments of 1983 introduced a gradual increase of the full retirement age from 65 to 67. This change increased the penalty (i.e., lowered the benefit level) for claiming Social Security retirement benefits before the full retirement age. Because the DI program did not change, the relative value of DI benefits increased.

Duggan and others (2007) analyzed whether this program interaction might be responsible for increases in DI rolls. Their results imply that fiscal savings from the increase in the full retirement age are partially offset by higher DI rolls. The authors use their estimates to project the aggregate effect of the rise in the full retirement age (when fully phased in) on DI enrollment. They find that increasing the full retirement age to 67 will raise the probability that men ages 63 and 64 are on DI by 1.6 percentage points, or 13 percent. This translates into a 1.3 percent increase in total DI enrollment in the long run, which would offset about 4.0 percent of the financial savings gained by raising the full retirement age.

Other Assistance and DI

Programs that provide other assistance, such as UI, TANF, and SNAP may also affect applications for DI or SSI. These programs do not interact with DI automatically, as do DI and Social Security retirement, but they can have fiscal ramifications for beneficiaries. Workers who experience the onset of a disability or worsening of a medical condition may rely on one or more of these programs. In addition, workers who lose their jobs for nondisability reasons but have a disability may be deterred from applying for DI if other assistance is available. There has been considerable study of how the value of DI benefits can impact workers' labor supply, that is, their decisions to stop working and apply for benefits (see Bound and Burkhauser (1999) and Maestes and others 2013). The availability of other assistance programs can change this calculus. And because these benefits are typically received for only a short time, they can be less costly to the government than longer-term disability payments.

Lindner and Nichols (2014) provide a comprehensive analysis of how other assistance programs, such as UI and SNAP, affect applications for DI and SSI. Using a sample of workers who recently lost their jobs and are therefore at risk of applying for a disability program to cover income losses, they examine how differences in access and generosity of various assistance programs across states and over time affect applications for DI and SSI. Participation in UI decreases applications for both DI and SSI, which suggests that some people may be deterred from entering disability programs because UI benefits are available. Interestingly, Lindner and Nichols also find that taking up SNAP benefits may increase SSI uptake.

In related work, Lindner (2016) focuses on the interaction between UI and DI. He similarly finds a negative relationship between more generous UI benefits and DI applications. Moreover, this interaction between the two programs appears to be stronger for older workers and for workers who have not attended college, two groups at high risk of applying for DI. According to the author's calculations, a one dollar increase in UI benefits reduces DI expenditures by 15 cents. In other words, decreases in DI rolls partially offset increases in government outlays of higher UI benefits because these programs interact.

Health Insurance Coverage and DI

Because DI and SSI provide access to public health insurance in addition to cash benefits, availability of other health insurance options may influence application decisions for these programs. There is a 24-month waiting period for Medicare after people become eligible for DI partly to deter those mainly interested in health insurance from applying. The Patient Protection and Affordable Care Act (ACA) has dramatically increased health insurance options through the Medicaid expansion (in states that chose to expand their programs) and subsidies for private insurance. This availability could lead to a decline in DI benefits, though it is too early to assess the empirical evidence of this interconnection. Many cost projections of the ACA do not include this potential spillover effect. However, Li (2014) estimates that the ACA will decrease the number of people receiving disability benefits by roughly 15 percent, as people switch to health insurance options made available through the ACA. This reduction in disability insurance rolls would help fund almost half of the ACA's projected costs. While these calculations are somewhat speculative, they demonstrate that program interactions could dramatically impact the costs of policy reforms.

Conclusions

With passage of the Bipartisan Budget Act of 2015 in late October, funds were moved from the Social Security retirement trust fund to the DI trust fund to cover a looming shortfall. Although the act is intended to ensure DI beneficiaries will receive full benefits until 2022, it does not address the long-run structural challenges the Social Security system faces.

If and when policymakers decide to tackle the long-run fiscal challenges of the nations' large social insurance programs, such as Social Security, they should not do so without recognizing that federal government support programs serve as an ecosystem to those who need them. Program participants may use a combination of benefits from different programs—DI, UI, SNAP, TANF, and others—to support themselves and their families. Modifying one program will affect individuals' and families' eligibility for these programs and the amount of benefits they receive. These program interactions also have implications for policy analysts seeking to estimate the true cost of policy changes.

Notes

1. Social Security Administration (2015), supplemental table 5.D3. Data extracted from the Urban Institute's "Social Security Data Tool," available at http://apps.urban.org/features/social-security-data-tool/.
2. Social Security Administration (2015), supplemental table 5.E1. Data extracted from the Urban Institute's "Social Security Data Tool," available at http://apps.urban.org/features/social-security-data-tool/.
3. US Department of Health and Human Services, "2013 Poverty Guidelines," December 2013, https://aspe.hhs.gov/2013-poverty-guidelines.
4. US Social Security Administration, Office of Retirement and Disability Policy, "SSI Recipients by State and County," December 2014, https://www.ssa.gov/policy/docs/statcomps/ssi_sc/2014/table01.html.

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