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UNDERSTANDING AND PROJECTING THE RISE IN SSDI ENROLLMENT

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Social Security Disability Insurance

8.8 million disabled worker recipients as of December 2012

2012 expenditures = \$140 billion, 2012 revenues = \$109 billion

Represents 18 percent of Social Security expenditures

SSDI recipients eligible for Medicare

- **Approximately an additional \$100 billion in 2012 expenditures**

Pays benefits to those unable to engage in “substantial gainful activity”

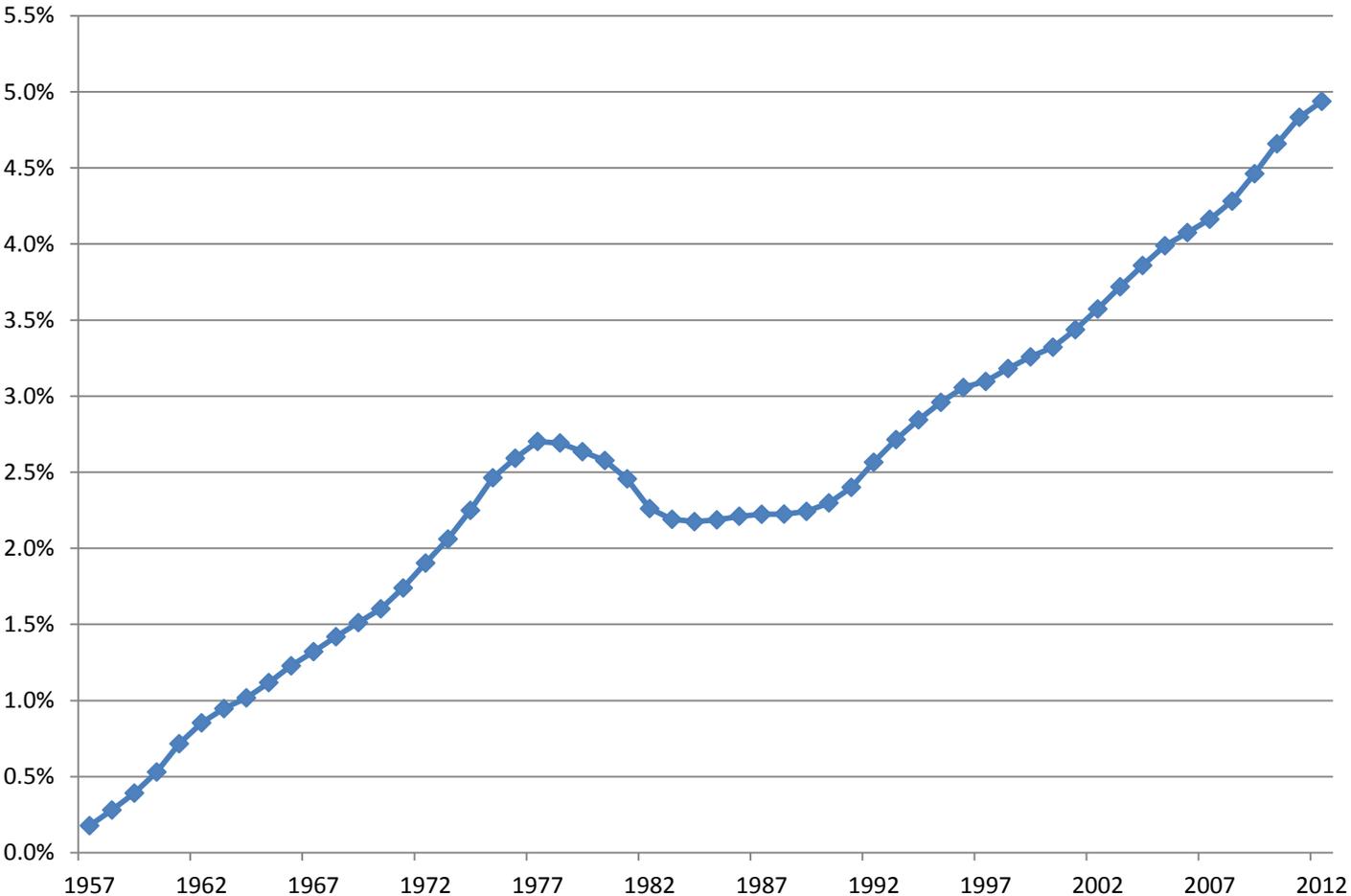
- **Must have worked in at least 5 of 10 most recent years**

Benefits equivalent to full retirement benefits

- **Thus incentive to apply if plan to claim retirement benefits early**

% ages 25-64 on SSDI approximately doubled from 1992 to 2012

SSDI Enrollment among Population 25-64 Steadily Increasing



What Factors are Responsible for the Growth?

Less stringent medical eligibility criteria

- Has increased average duration on program

Falling generosity of retired worker benefits

Rising replacement rates for the program

- 90-32-15 formula with “bend points” indexed to average wage growth

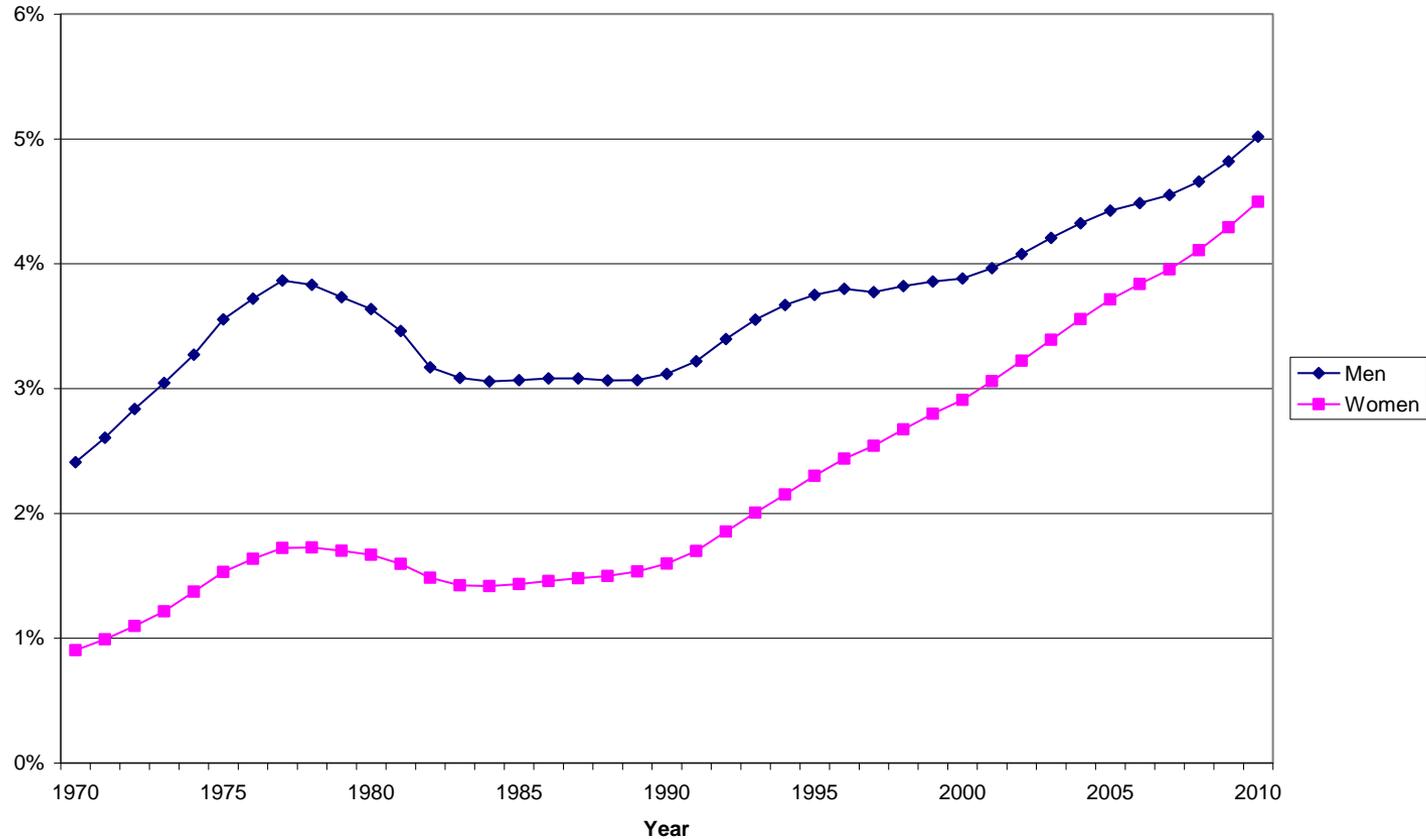
Program more sensitive to economic conditions

Aging of the population

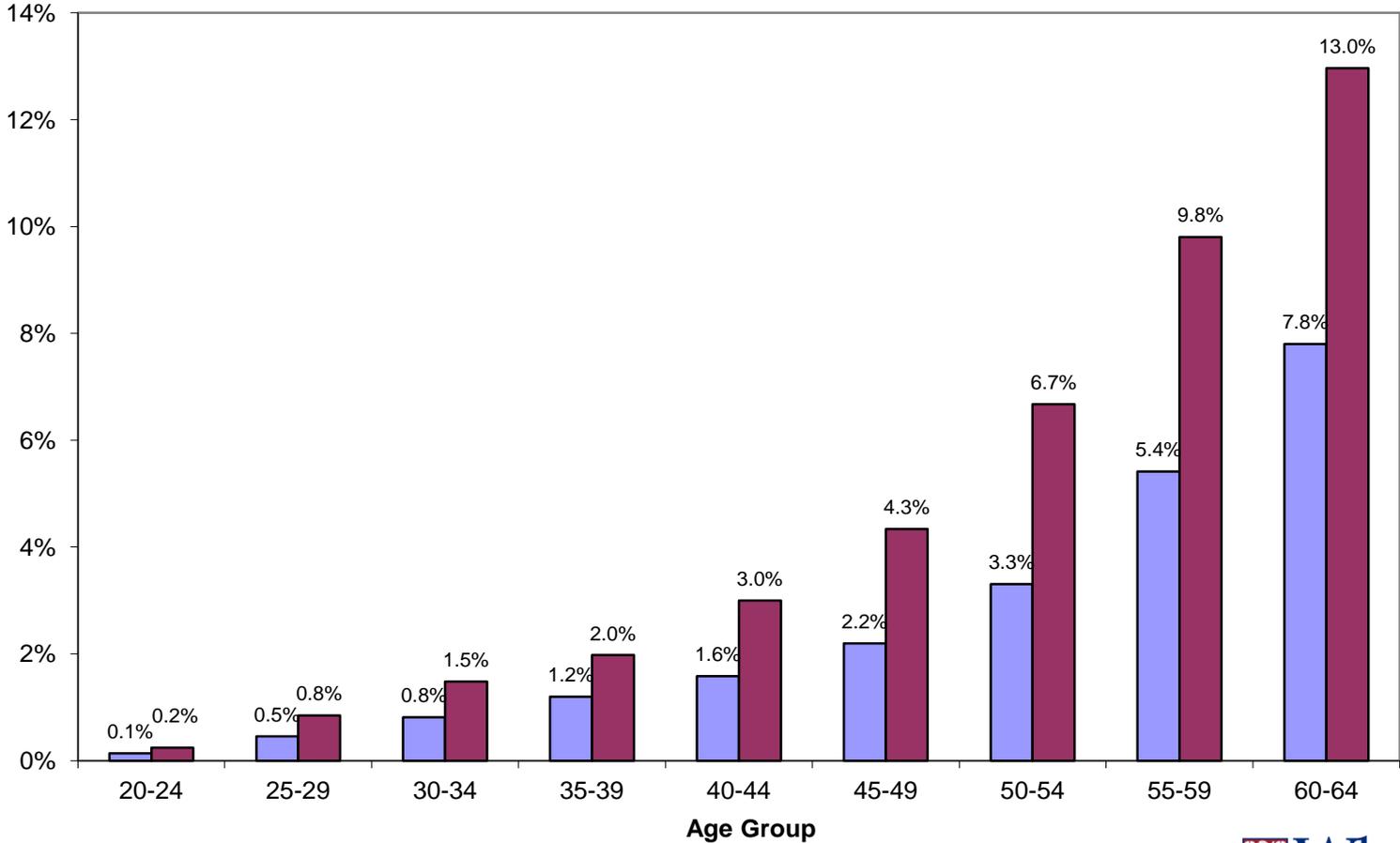
More women insured by the program due to rising female LFP

Enrollment Growth Varied by Gender

Figure 1: DI Enrollment among Men and Women Aged 25-64: 1970-2010

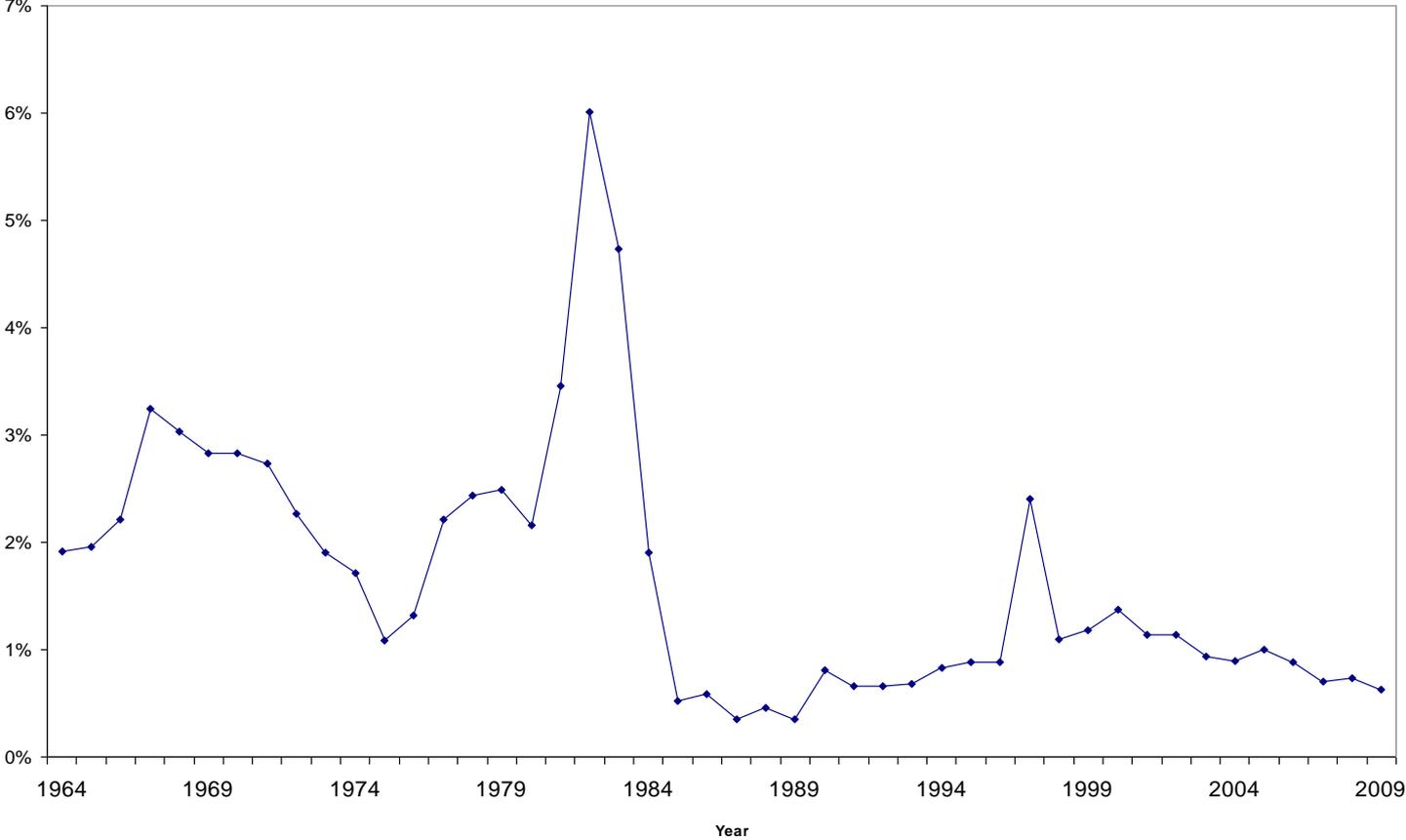


Also by Age Group: Consider 1989 versus 2011



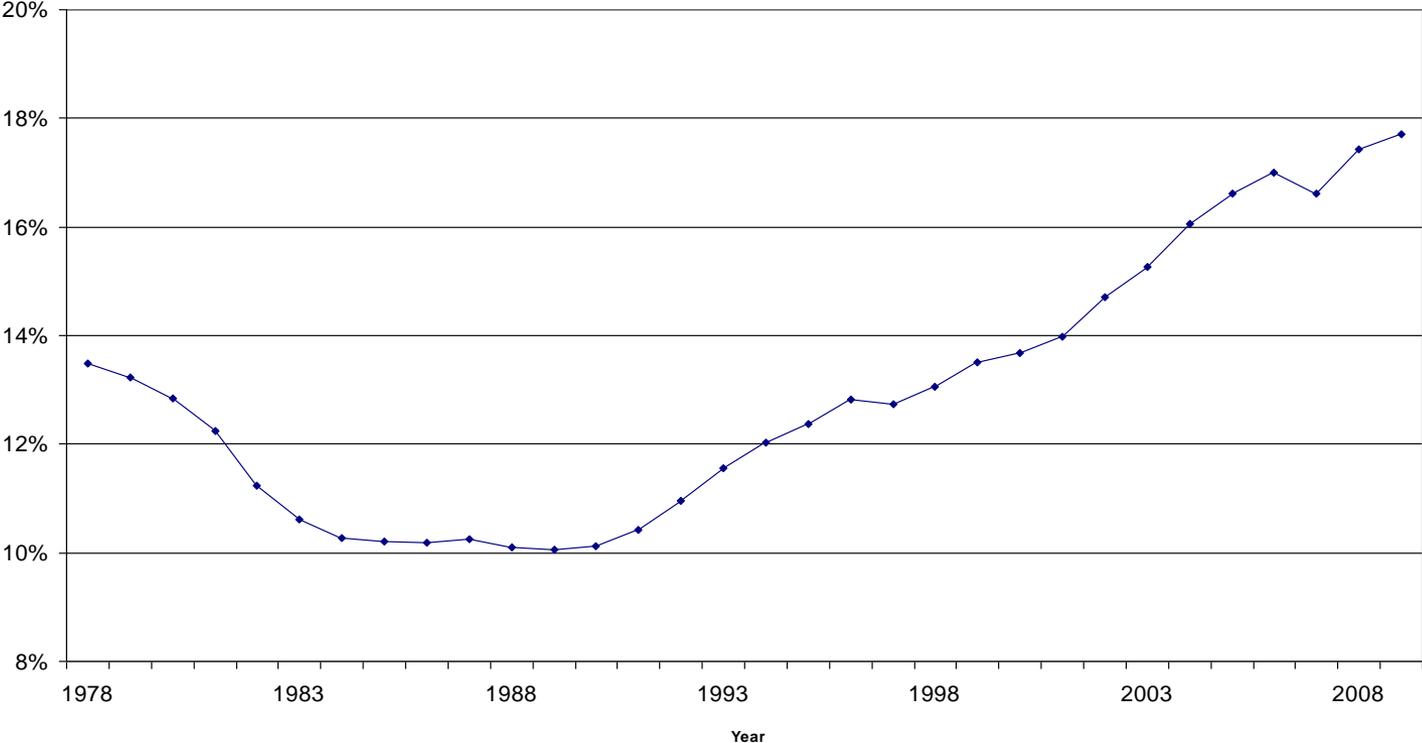
With Fewer Returning to Labor Force Each Year

% of SSDI Recipients Leaving Program
for not meeting Medical Criteria: 1964-2009



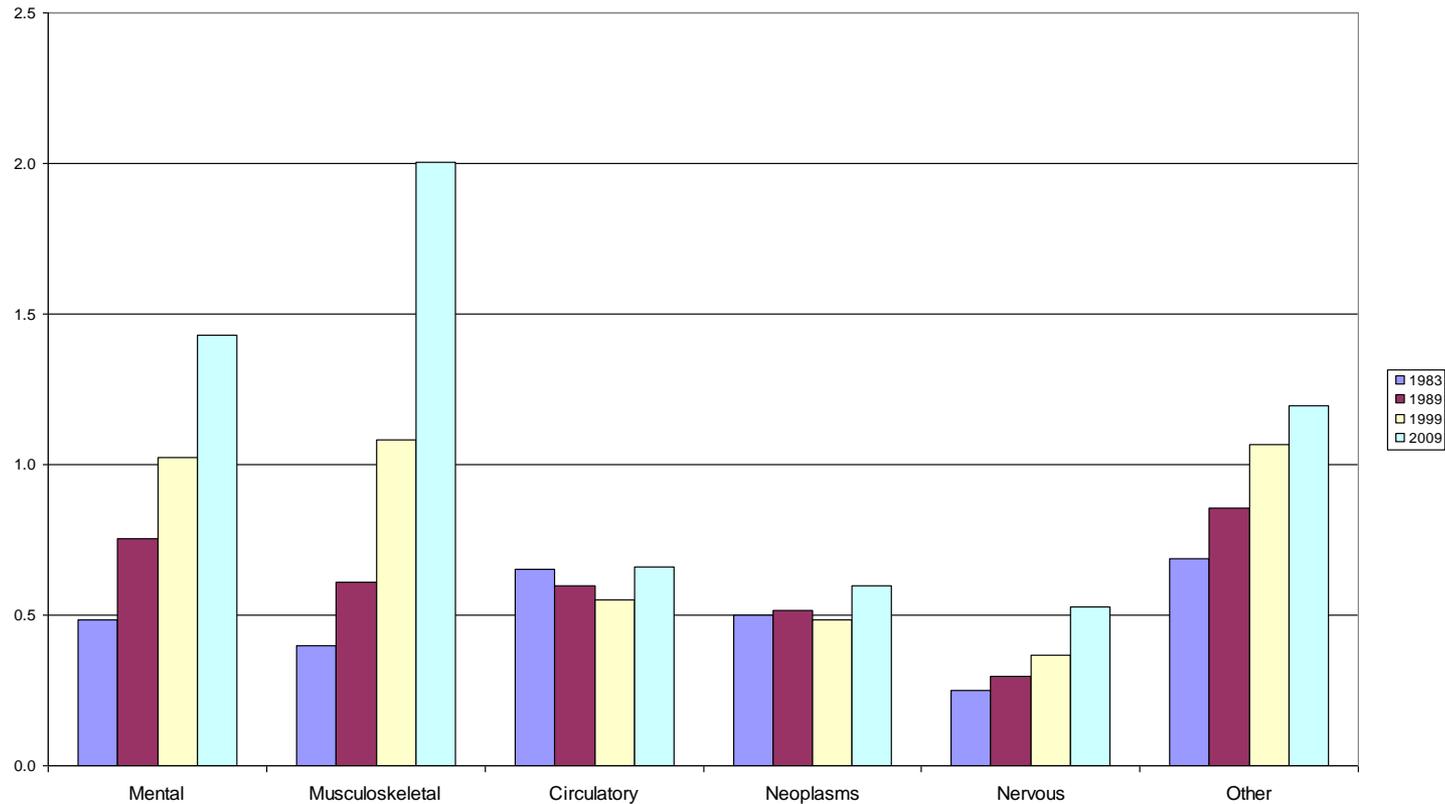
SSDI's Rising Share of Social Security Spending

Figure 3: SSDI \$ as % of Total OASDI \$: 1979-2009



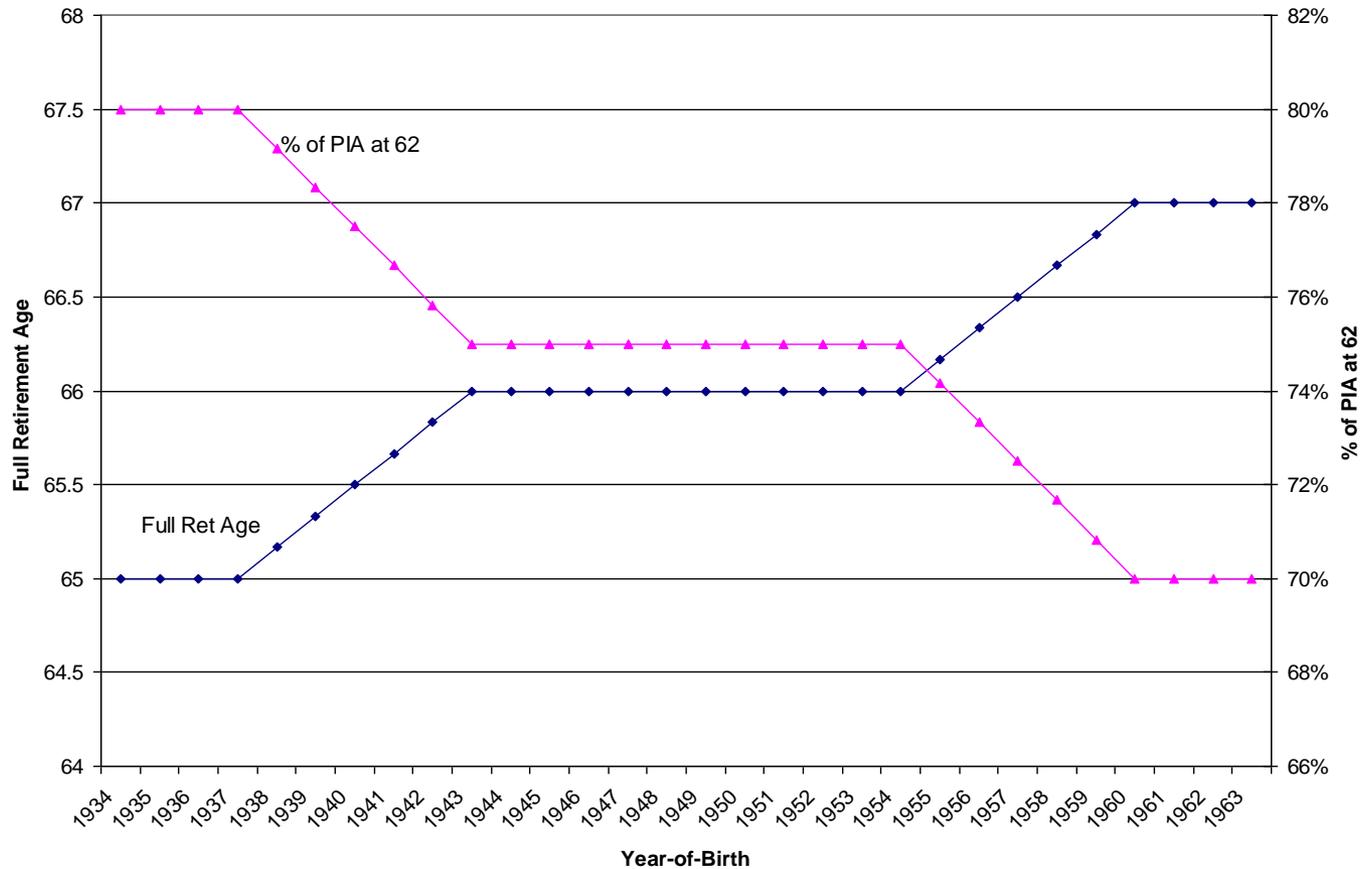
Less Stringent Medical Criteria -> More Subjective Qualifying Conditions

SSDI Awards per 1,000 Insured by
Diagnosis Category: 1983, 1989, 1999, 2009



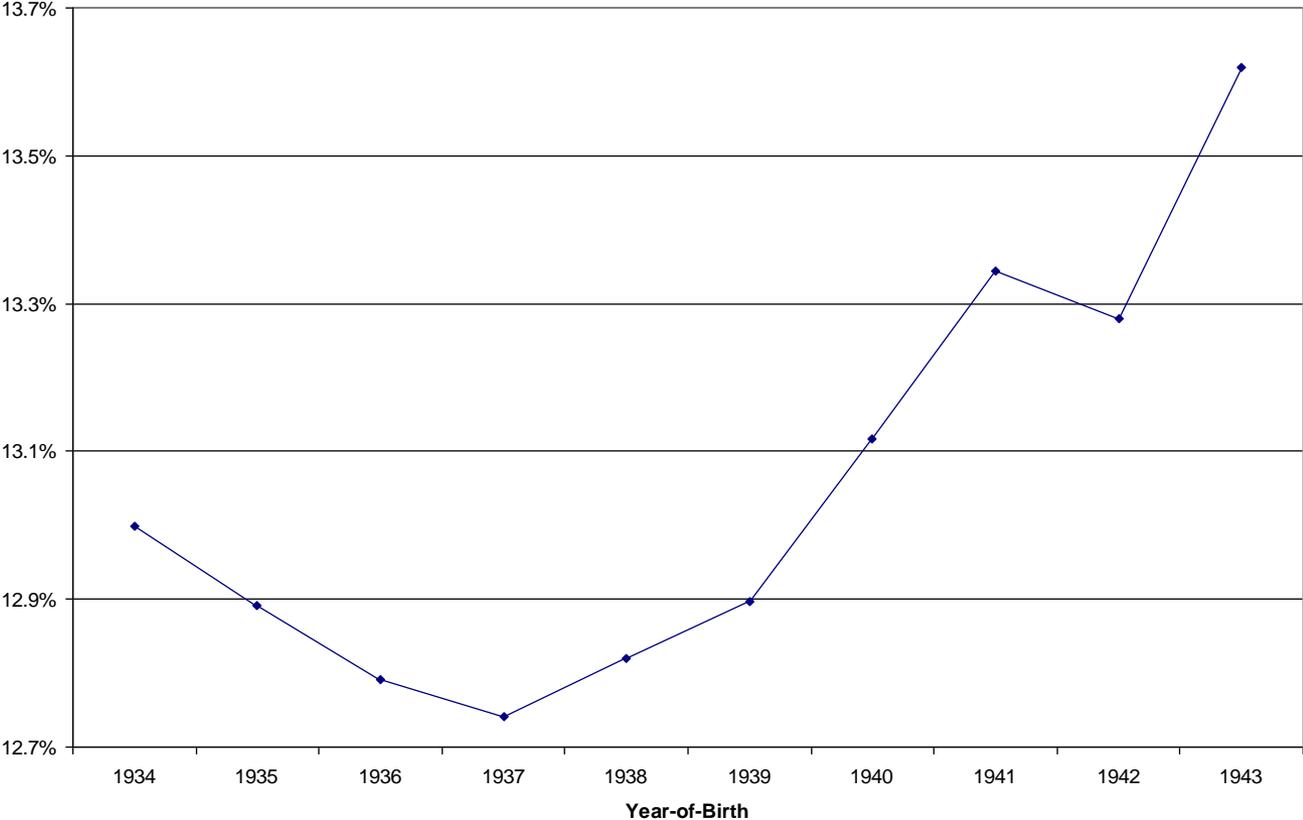
Increase in Full Retirement Age has Increased SSDI Incentive

Figure 1: Social Security Retired Worker Benefit Generosity by Year-of-Birth

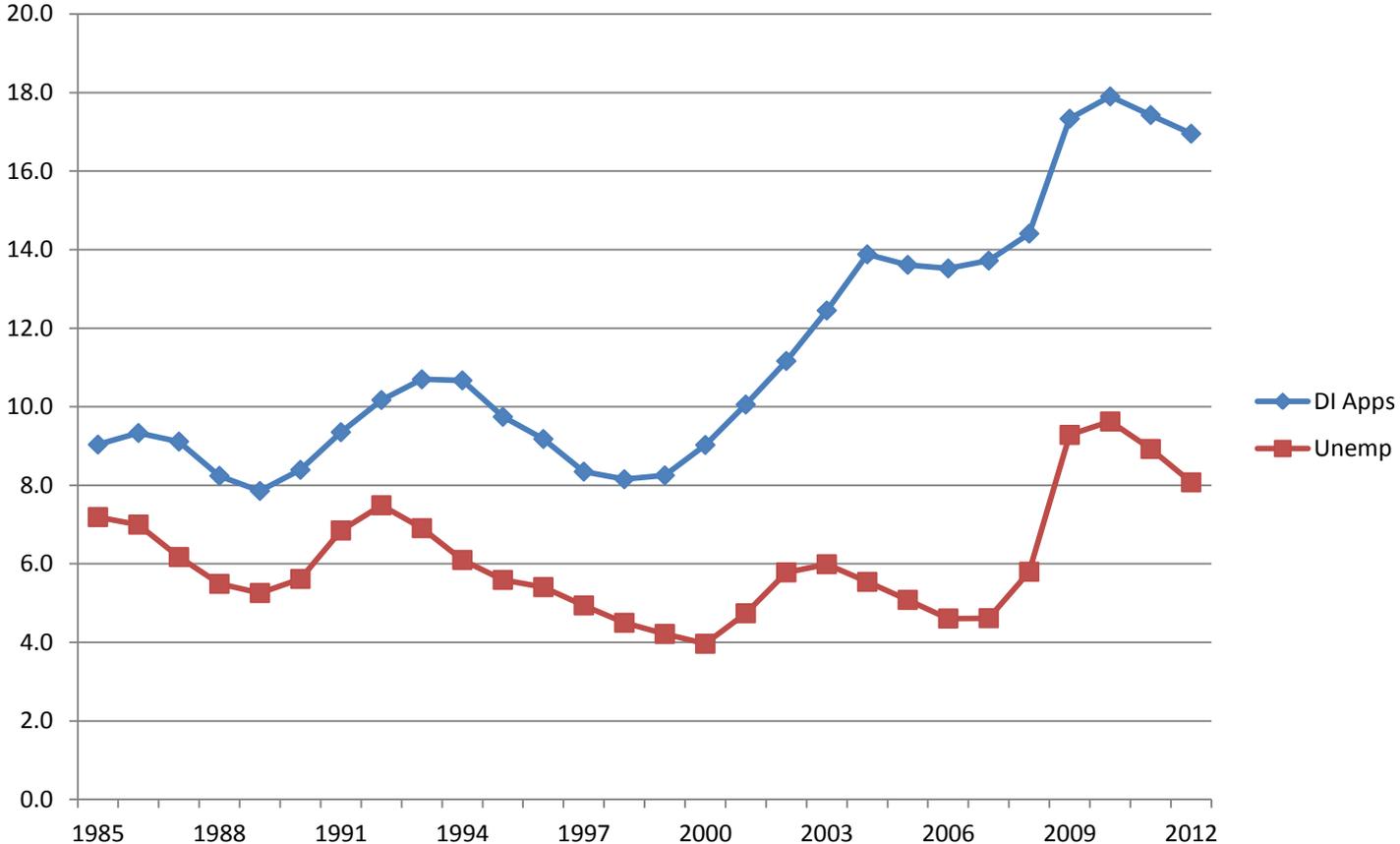


And Thus More now Receiving SSDI (Duggan et al, 2007)

Figure 5A: Percent of Men Age 62 Receiving SSDI by Year-of-Birth

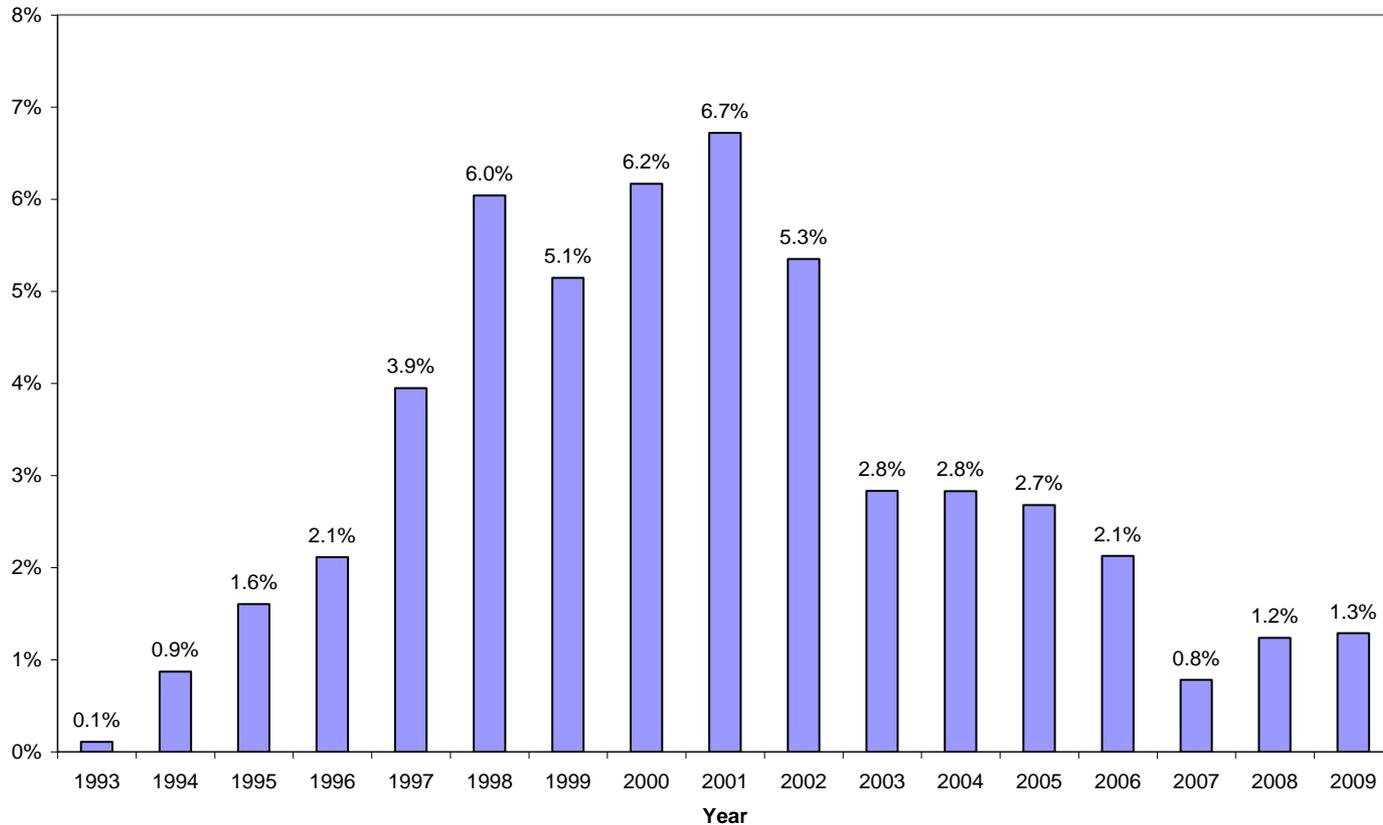


SSDI Increasingly Sensitive to Economic Conditions



Fewer on SSDI get Continuing Disability Reviews (SSAB, 2012)

Figure 11: % of DI Recipients Receiving a Medical CDR: 1993 - 2009



Where is SSDI Enrollment Highest? (SSA, 2012)

4.8% of Population 25-64 Years Old was on SSDI in 12/2011

Five Highest SSDI Enrollment States:

West Virginia: 9.2%

Arkansas: 8.7%

Alabama: 8.5%

Kentucky: 8.4%

Mississippi: 8.1%

Five Lowest SSDI Enrollment States

Alaska / Hawaii: 3.0%

Utah: 3.1%

California: 3.3%

Colorado: 3.4%

Maryland: 3.6%

Will SSDI Enrollment Continue to Increase?

Some slowdown is likely due to changing age structure and % insured

- More 65-year olds will mechanically increase exit rate
- % of women insured for SSDI has plateaued at most ages

But SSDI enrollment still increasing at younger ages

SSDI program still well below its equilibrium size

Further increases in full retirement age for those born 1955+

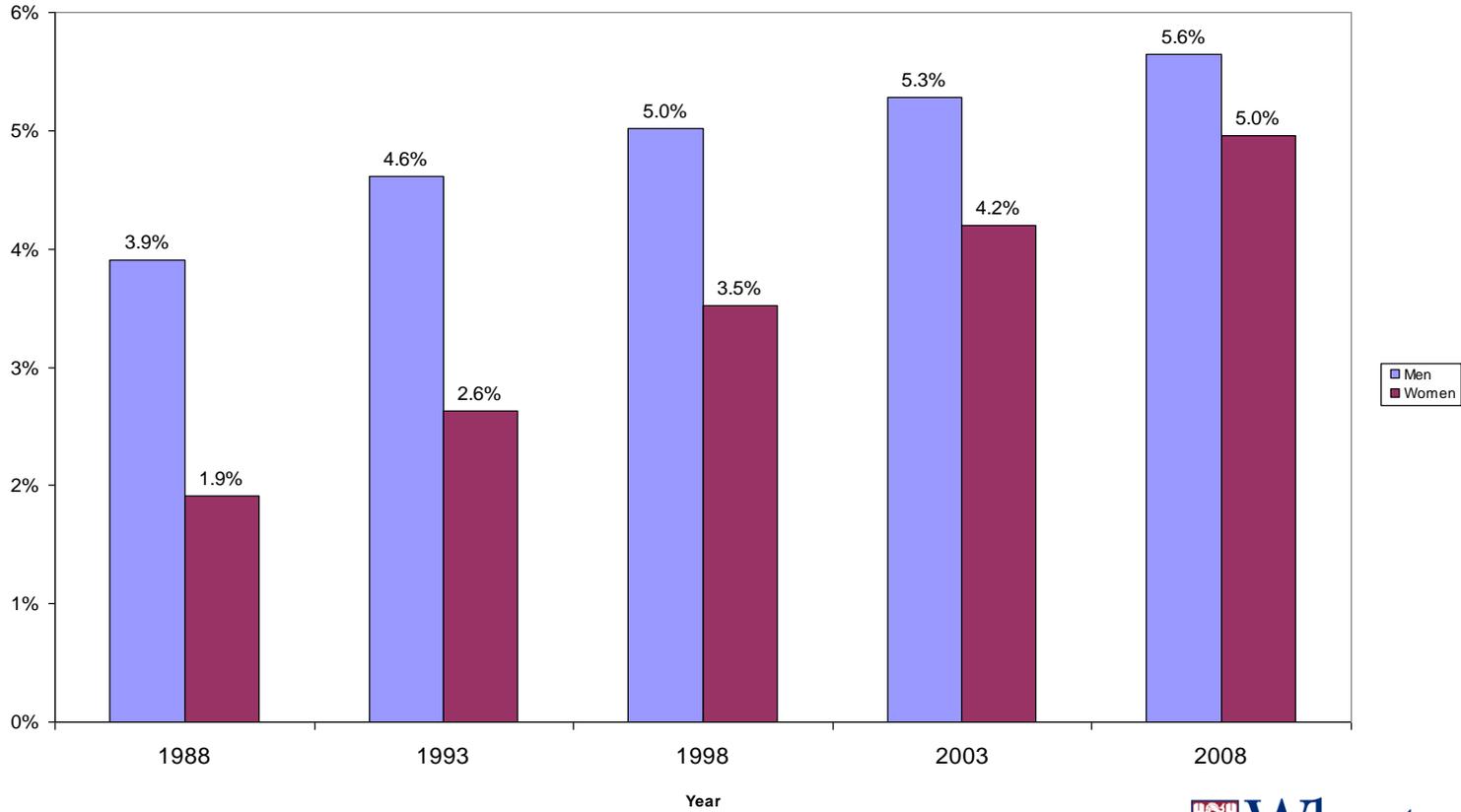
- SSDI becoming relatively more attractive
- 43 percent greater than early retirement if born 1960+

Health reform may increase incentive to apply for SSDI

How will wage opportunities evolve for lower-skilled workers?

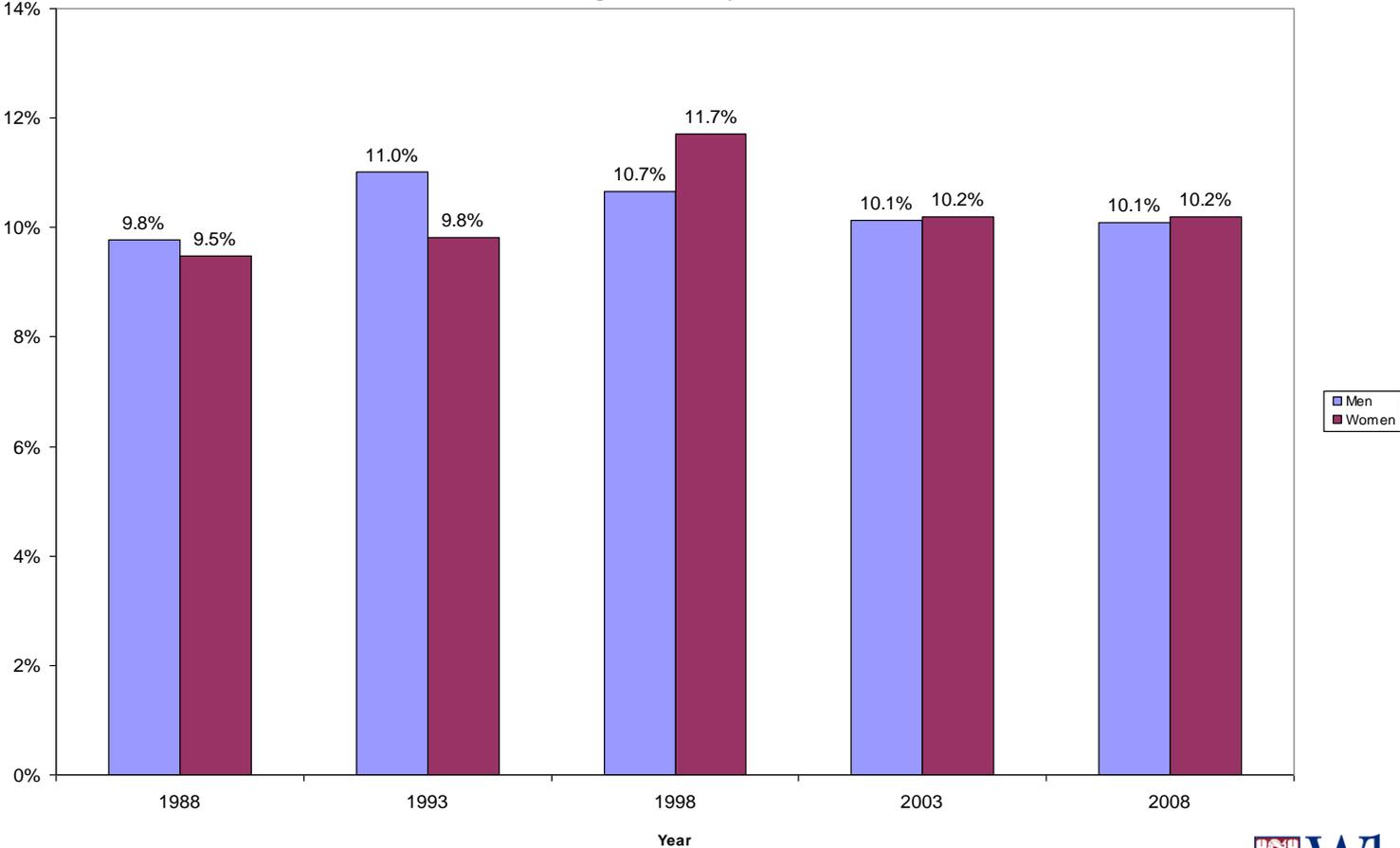
Are Substantial Further Increases Plausible?

Fraction Aged 40-59 on SSDI: 1988-2008



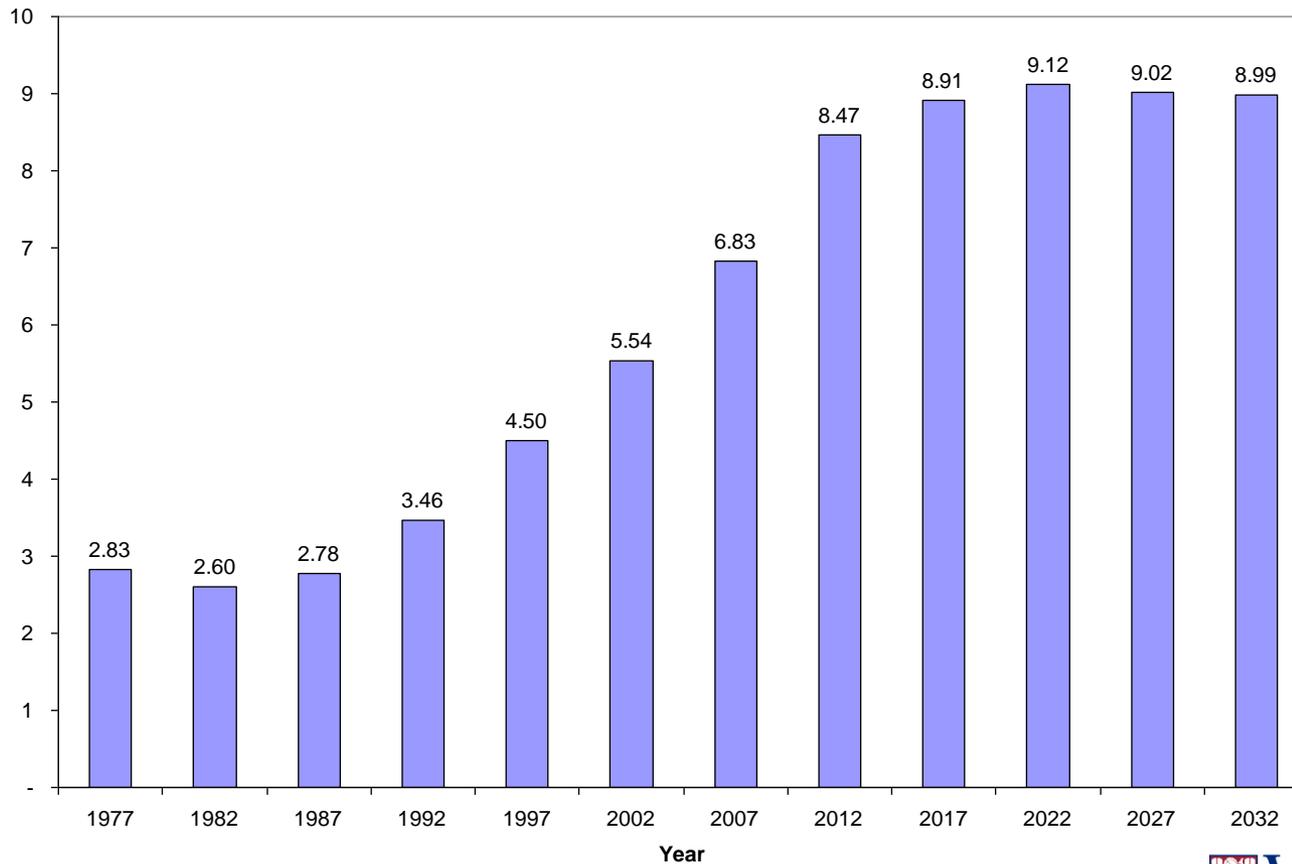
% who Self-Report a Disability almost 2X Greater

Figure 4: % of People 40-59 Reporting a Work-Limiting Disability / Health Condition



OACT Projects Significant Slowdown after 2012

Millions of SSDI Recips Aged 20-64: 1977-2032



Summary of Technical Panel 2011 Recommendations

1. Increase the assumed rate of SSDI incidence

- Has been trending up for many years

2. Assume a more rapid decline in SSDI mortality rates

3. Assume lower recovery rate of SSDI enrollees

All three adjustments would increase projected share on SSDI

2011 TPAM report available at (SSDI portion starts on page 74):

http://www.ssab.gov/Reports/2011_TPAM_Final_Report.pdf

Some of the Possible Reforms to SSDI

More frequent continuing disability reviews

Revisit the program's medical eligibility criteria

Change system with increased role for private insurers

Autor-Duggan (2010) Hamilton Project proposal

Intervene sooner and smarter with those whose health is declining

Require medium-term policies that serve as gateway to SSDI

Goal to increase labor force attachment before skills start to atrophy

Last of these would give employers more “skin in the game”

Similar to workers compensation and unemployment insurance

Increases change that those who can work will work

Program is currently running a very large deficit

Benefits paid 30 percent greater than taxes collected



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