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

Year
Men
Women
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

Year

0% 1% 2% 3% 4% 5% 6% 7%
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)
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
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

<table>
<thead>
<tr>
<th>Year</th>
<th>Men</th>
<th>Women</th>
</tr>
</thead>
<tbody>
<tr>
<td>1988</td>
<td>3.9%</td>
<td>1.9%</td>
</tr>
<tr>
<td>1993</td>
<td>4.6%</td>
<td>2.6%</td>
</tr>
<tr>
<td>1998</td>
<td>5.0%</td>
<td>3.5%</td>
</tr>
<tr>
<td>2003</td>
<td>5.3%</td>
<td>4.2%</td>
</tr>
<tr>
<td>2008</td>
<td>5.6%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
% 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

Year
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):

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