

GAO

Testimony

Before the Subcommittee on Social Security  
Committee on Ways and Means  
House of Representatives

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SOCIAL SECURITY

Rising Disability Rolls Raise  
Questions That Must Be  
Answered

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Mr. Chairman and Members of the Subcommittee,

Thank you for inviting me to testify on the status of the Social Security Disability Insurance (DI) Trust Fund. In April 1993, the Fund's Trustees projected that the Fund will reach exhaustion in 1995, in large part because the number of DI beneficiaries has grown faster than expected. To strengthen the Fund, the Trustees have recommended giving the DI Fund a larger share of the total Social Security payroll tax. The proposed reallocation would provide additional funding for the DI Fund to keep it solvent through 2020.<sup>1</sup> The Congress will be asked to enact legislation implementing this reallocation.

In my testimony today, I will highlight the primary factors that have contributed to today's rapidly rising level of beneficiaries, and thus to the projected exhaustion of the DI Fund. First, people are applying for DI at a higher rate. Second, a higher percentage of these applicants receive awards. Third, lower percentages of beneficiaries leave the rolls. I will also discuss the changing composition of the DI rolls. For example, persons joining the rolls today are more likely to suffer from mental disabilities, to be younger, and to have relatively lower earnings than those who came on the rolls in the past.

Finally, I will discuss the uncertainty about whether recent trends will continue, level off, or reverse themselves. Unfortunately, information necessary to understand the causes of recent trends is not currently available and cannot be timely obtained. As a result, neither the Department of Health and Human Services (HHS), nor we can provide you today with clear indications of the program's future path.

To aid the Congress in gaining a clearer picture of the future of DI, HHS should work closely with this Subcommittee to develop a plan for gathering and analyzing the information necessary to better understand this program. We would be delighted to work with the Subcommittee in reviewing HHS's results.

#### GROWING NUMBER OF DISABILITY BENEFICIARIES

More persons are receiving disability benefits today than ever before. With the exception of a few years in the late 1970s and

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<sup>1</sup> The recommended change would increase the share of the tax for DI from 0.6 percent of wages to 0.875. The overall Social Security tax of 6.2 percent, payable by employers and employees, would not be affected. The tax proceeds and interest allocated to the Old Age and Survivors Insurance Fund would be correspondingly reduced.

early 1980s, the number of disabled worker beneficiaries has been increasing since the program began in 1957.

Although I have been asked to focus on the DI program in this testimony, I want first to point out that both of SSA's disability programs--DI and the Supplementary Security Income (SSI) program for poor disabled persons--have grown significantly in the last two decades. (See table 1.)

Table 1: Number of Disabled Adults Receiving Federal Disability Benefits at End-of-Year (thousands)<sup>a</sup>

<u>Program</u>	<u>1970</u>	<u>1975</u>	<u>1980</u>	<u>1985</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>
DI <sup>b</sup>	1,493	2,489	2,859	2,657	3,011	3,194	3,468
SSI <sup>c</sup>	-- <sup>d</sup>	1,678	1,743	1,841	2,418	2,600	2,843

<sup>a</sup> Concurrent beneficiaries are reflected in both numbers. Such beneficiaries receive DI benefits below the SSI monthly income guarantee, then receive the balance from SSI.

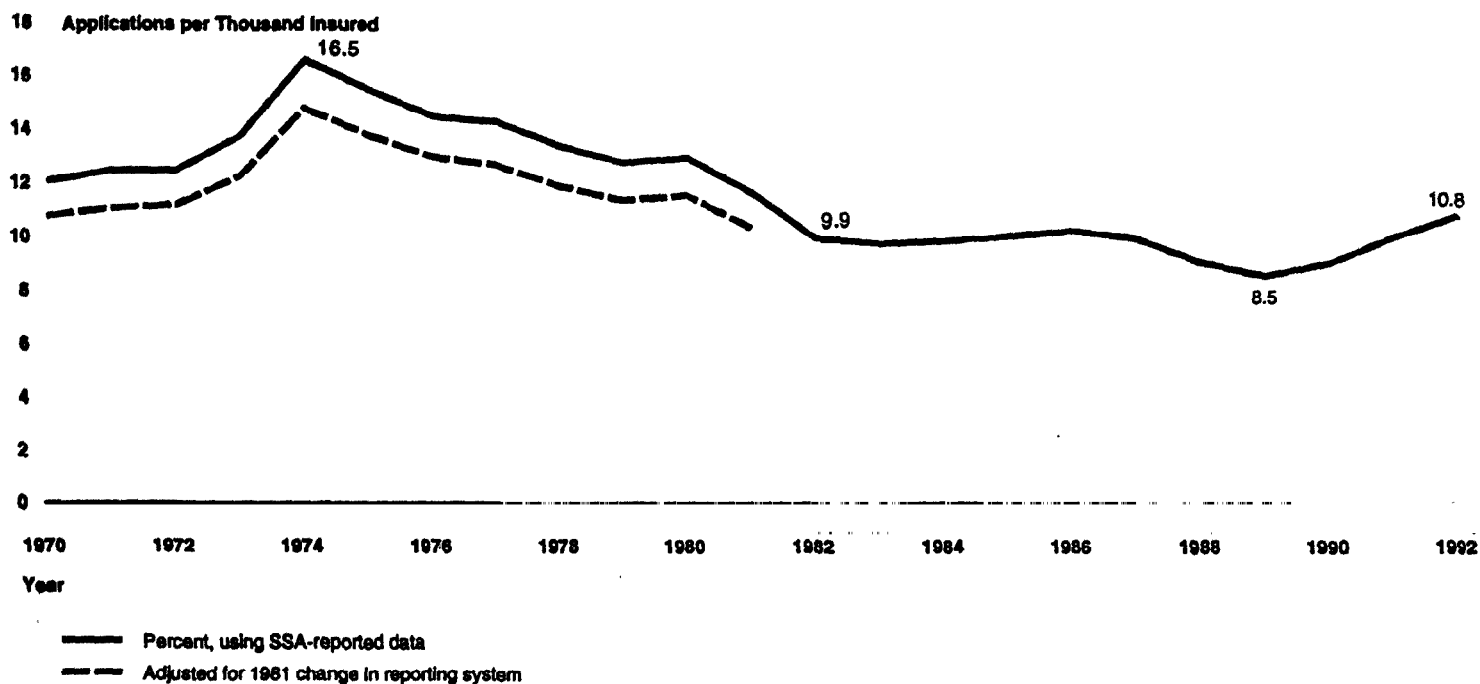
<sup>b</sup> Excludes disabled adult dependents.

<sup>c</sup> Excludes disabled adults 65 and older.

<sup>d</sup> The SSI program did not pay benefits until 1974.

In the DI program, the number of workers insured for disability is at an all time high, so it is not surprising that the number of beneficiaries has increased somewhat. In addition to changes in the insured population, the size of the DI rolls is influenced by three general factors: the number of insured who apply for benefits, the number of applicants who receive awards, and the number of beneficiaries who leave the program.

Figure 1: History of DI Application Rate Since 1970



In October 1981, SSA changed its administrative computer system to more accurately track workloads. SSA estimates that these changes reduced the reported number of applications by about 11 percent. Although these changes have an unknown effect on prior years' experience, data adjusted by 11 percent for prior years are shown for comparison.

I will take a moment to examine each of these factors. First, as shown in figure 1, the rate at which insured persons apply for benefits has been growing rapidly since 1989. One important contributing factor may be the economic downturn that began in 1990. In times of high unemployment, when impaired persons lose their jobs, they often find it difficult to obtain new ones. Hence, they apply for DI. Similarly, increased outreach by SSA and disability advocates--particularly for the SSI program--may have made more people aware of disability benefits. Because persons who apply for SSI are considered for DI at that time, increases in the former program may lead to increases in the latter. Today, almost half of the persons applying for DI benefits apply for SSI benefits at the same time, up from about a third in 1980. Finally, applicants are more likely to be awarded benefits, which may encourage more persons to apply.

Turning from the application rate to the award rate, almost half of current DI applicants are found eligible to receive benefits, as shown in figure 2. This represents a substantial increase in

the rate of awards from the low levels of the 1980s. Rates today more closely resemble those of the 1970s than those of the early 1980s.

Figure 2: History of DI Award Rate Since 1970



See note on figure 1 regarding change to SSA's administrative computer system. The adjustments made to applications prior to 1981 in figure 1 also affect these data.

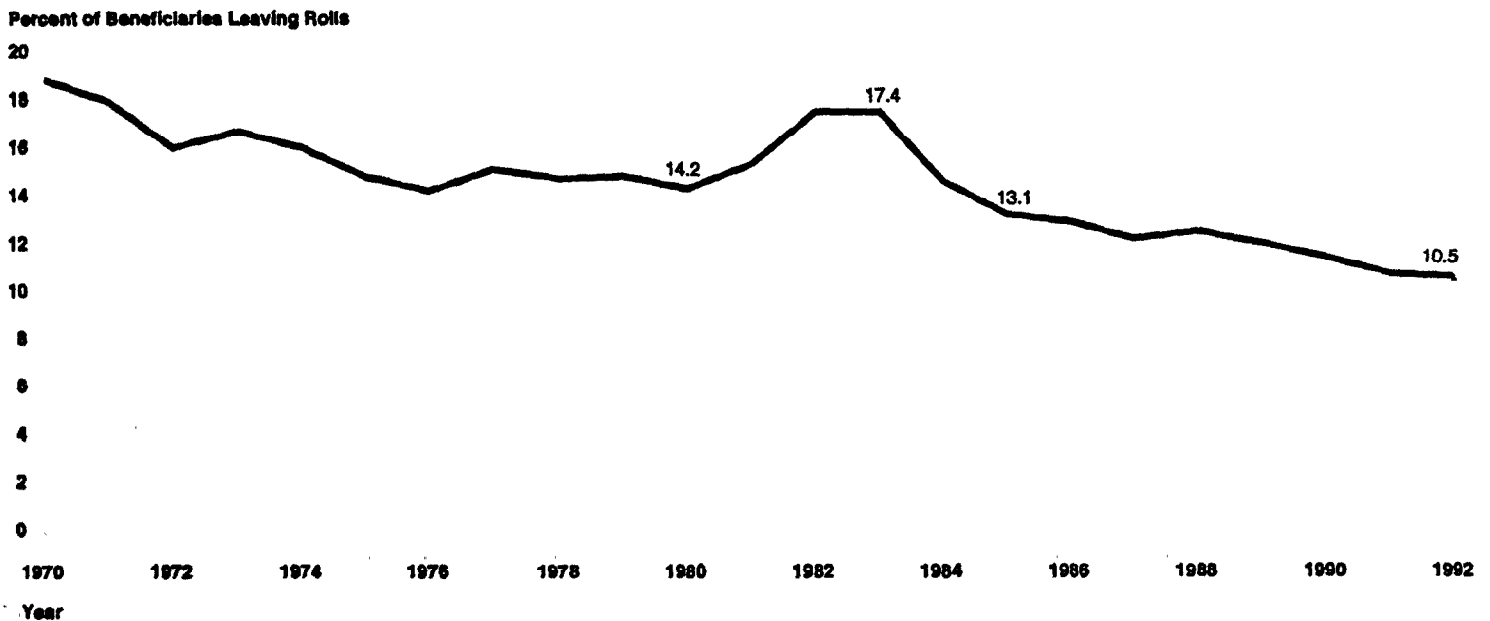
This increase is due in part to changes mandated by the Congress and the courts, and administrative initiatives undertaken by the agency, in the way disability decisions are made.<sup>2</sup> The higher award rate may also be due in part to more people winning their

<sup>2</sup> The 1984 amendments to the Social Security Act, its implementing regulations, and court cases have mandated (1) new criteria for evaluating mental impairment disabilities to better judge an applicant's ability to work in a competitive environment; (2) greater emphasis on the opinion of the applicant's treating physician--who is assumed to understand the applicant's limitations better than physicians paid by SSA to examine claimants; (3) better consideration of the combined effects of an applicant's multiple impairments; and (4) greater emphasis on the role of pain in restricting an applicant's ability to work.

appeals before administrative law judges, who now allow more than two-thirds of their cases.

Finally, as shown in figure 3, the termination rate has been in general decline for more than 20 years, except during the early 1980s when SSA performed record numbers of continuing disability reviews (CDRs).<sup>3</sup> Since 1985, SSA has conducted fewer CDRs and terminated benefits for smaller percentages of those reviewed. Over this period, less than 5 percent of those leaving the rolls have done so because of CDRs.

Figure 3: History of DI Termination Rate Since 1970



Today, almost all terminations are due to the beneficiaries' deaths or their leaving the DI program at age 65, when the Old Age and Survivors Insurance Fund begins to pay retirement benefits. Much of the decline in the termination rate is due to beneficiaries' receiving disability benefits at a younger age, and remaining on the rolls longer than in the past. The

<sup>3</sup> In CDRs, SSA reviews the disability status of beneficiaries to determine whether they remain eligible for benefits. In 1984, the Congress mandated that SSA must prove a beneficiary's condition has improved enough to enable a return to work before it can terminate benefits.

percentage of beneficiaries on the rolls for more than 15 years has almost tripled since 1980.

Our overall assessment of the impact of these trends is that the DI fund warrants careful monitoring. We need to evaluate whether the recent unanticipated program growth will continue.

#### CHANGING COMPOSITION OF THE ROLLS

While the number of beneficiaries is rising, the type of person receiving disability benefits is changing as well. In the 1970s, the typical new beneficiary was a male over fifty years old who had worked steadily until either heart or musculoskeletal conditions disabled him. Today, the program is evolving so that more new beneficiaries are younger, suffering from mental impairments, and receiving SSI to supplement their DI benefits.

The number of benefits awarded on the basis of mental impairment has generally grown faster than total awards. While total awards per year have not quite doubled in the last ten years, the number of mental awards has quadrupled.<sup>4</sup> By 1991, 24 percent of all DI awards were made primarily on the basis of mental impairment. In comparison, only 11 percent of DI awards in 1982 were due to mental impairment.

The mentally impaired beneficiary is generally younger than the physically impaired beneficiary; three-fourths of mental impairment awards go to beneficiaries under 50. Because these beneficiaries are generally younger and in better physical health, they will likely remain on the rolls longer than their predecessors.

Also, the socioeconomic profile of beneficiaries may be changing. The number of new DI beneficiaries who receive SSI has increased to 40 percent of new beneficiaries in 1992, up from 24 percent in 1982.<sup>5</sup> Their need for supplementary SSI benefits indicates that these new DI awardees have less extensive work histories than their predecessors.

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<sup>4</sup> This is not to suggest that such growth is inappropriate, however. In 1983, SSA began to liberalize its criteria for evaluating mental impairment disabilities, partly in response to a court decision. The 1984 amendments to the Social Security Act and its implementing regulations formalized the more liberal criteria.

<sup>5</sup> Data do not include awards by administrative law judges or courts.



QUESTIONS RAISED BY THESE CHANGES  
MUST BE RESOLVED

Although both GAO and HHS can identify changes occurring in the disability program, we lack information needed to explain them. For example, we know that increasing mental impairment awards are having a significant impact on the award rate, but we do not fully understand what is causing the increase. In addition to the mandated changes in SSA's criteria for deciding mental impairment disability, other contributing factors may include increasing mental illness in the population, or the likelihood that mental impairments are increasingly being recognized and diagnosed. Because we cannot quantify the extent to which these factors have contributed to the increase in awards, we cannot predict whether this upward trend will continue, level off, or reverse itself.

The questions raised by the growth in mental impairment cases are relevant to the entire caseload. To what degree are the growth and changes related to societal factors and to what degree have they been influenced by changes in program rules and operations? The Trustees have recommended that an extensive research program be undertaken, and HHS is currently developing an agenda designed to answer some of these questions. Also, the Ways and Means Committee has requested a comprehensive review of the disability program by the National Academy of Social Insurance to reexamine current disability policy.

More information and reviews are needed. The DI Trust Fund requires additional funding to meet the short-range test of financial adequacy. However, over the longer range, still more funds may be needed. To prepare now for future decisions, the Congress needs better information on the causes for growth and change in the rolls.<sup>6</sup>

Therefore, we support the Trustees' recommendation and suggest that HHS work closely with this Subcommittee on its plans to identify the causes for growth and change in the disability program. GAO will be glad to assist the Subcommittee as it exercises its oversight responsibility for these studies.

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Mr. Chairman, this concludes my statement. I will be glad to answer any questions you or Members of the Subcommittee may have.

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<sup>6</sup> Such information could also assist in deciding the future direction of the SSI program, which is also experiencing rapid growth.



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