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The penalty for breaching that limit is severe. “If you go one penny over—no ifs, ands or buts—you’re off,” said Waranka, from Lifetrack Resources. One of Waranka’s clients, a baker at Sam’s Club, was asked to take on more hours during the holiday season. “He said, ‘I can’t do it. If I do more than [normal], I lose my benefits,’” according to Waranka. “I get so frustrated.”

For those on SSI, outside earnings are limited to just \$85 a month. In 2015, for every \$2 above that amount, recipients will lose \$1 out of their monthly check of \$733. A bigger paycheck also erodes food assistance and other government aid received in tandem with SSI benefits, according to Quincy, from Legal Aid.

Essentially, SSI recipients face a large implicit tax for working more than a few hours a week. Recipients of SSI also “are living much closer to the margins” and have to budget very carefully, Quincy said. “There is a lot more insecurity for SSI [recipients], so they don’t work a lot” to avoid the loss of other benefits. Generally speaking, Quincy said, “you’re either on SSI and not working, or off.”

For many on disability, especially SSDI, the loss of the cash benefits would be bad, but could ultimately be made up by working, many sources said. The real pain would be losing health care benefits.

“What keeps my clients from full-time work [and leaving disability] is losing their medical benefits,” said Waranka. “Health insurance for an individual with a disability, I think, is a number one concern. For most of them, there are a lot of extra expenses that come along with their disability. For mental health, it’s the drugs, the cost of medication.” With full health coverage, he said, “many of my clients would work full time.”

Kennebeck said his health coverage through Medicare was “a lifesaver because I’m on seizure medication and I do a refill a month, and that’s 200 bucks; whereas, I only pay a little over three bucks. ... Heaven forbid something happens, [like] you get in a car accident. [But if so], it’s there and it helps you.” He added that if the income limits “could be less restrictive than what it is, it would be awesome, because ... I want to be working more, but I really can’t because I’ve got to be careful of my SSDI.”

For SSI recipients, “Medicaid is huge; it’s absolutely the key,” said Quincy. Without access to health care, many of her cli-

ents wouldn’t be treated for their conditions, with disastrous consequences.

A rising disability rate, coupled with a dropping employment rate among this population, has created a public perception with “two extremes,” said Daly, from the San Francisco Fed. Individuals are either “all cheaters, or they are all incapable of work. Neither is true,” she said. A person might know someone on disability “and see them playing tennis with their kid and say, ‘See, everyone’s a cheater,’” Daly said. “They are not all cheaters. They are responding to the incentives” embedded in disability programs.

On the flip side, many believe that anyone with a disability has severe, debilitating limitations, when in reality disabled people have a wide range of limitations and capabilities, Daly said. “They are a very heterogeneous pool,” but treated as a very homogeneous one.

“I think we’ve turned a weird corner in our culture that we’ve become more suspicious of people just trying to rip things off,” said Waranka. “Yes, there are those out there. You always hear about the guy who says, ‘Oh, I hurt my back and I can’t come into work.’ And then ... he’s out there bowling, running around and playing on a trampoline. But, unfortunately, I think we let that be the rule when it’s just an exception.”

Waranka is himself an exception, but in a very different sense. Waranka is one of the few who has left SSDI. His blindness qualified him for SSDI at age 18. He went to school and worked during his early adult years, “but I never made enough to get kicked off.” It wasn’t his intent to keep his benefits at all cost. Otherwise healthy aside from his vision, he said he didn’t need health benefits in his early adult years, and program compliance “was a headache,” according to Waranka. He had to go to meetings to verify his disability—“yep, still blind”—and, when employed, he had to mail in check stubs to prove he was not earning more than income limits. “I wanted to get off,” said Waranka. “I wanted to be fully, completely independent,” a status that he eventually achieved through his job with Lifetrack.

Insolvency issues

The trajectory of disability recipients and benefit costs is starting to get some attention from policymakers because

Are you in good hands?

Different programs offer protection for short- or long-term disability

Disability is a circumstance that most people believe happens to someone else. That’s why most people don’t buy individual policies to protect themselves.

In place of individual protection, very large plans or programs have evolved over time that offer protection against the ravages of aging and accidents that can occur on the job or off. In all, these programs provide disability coverage to most workers and pay disability benefits to at least 20 million individuals annually (not including spouses and children who also qualify).

That number is artificially low because nationwide data for private disability plans are scarce. But of this total, the large majority—roughly 95 percent—of those receiving disability payments are receiving them through one of three federal government programs: Social Security Disability Insurance (SSDI), Supplemental Security Income (SSI) for individuals with a disability and U.S. Department of Veterans Affairs (VA).

Disability coverage varies widely. SSDI covers anyone having paid into Social Security for 10 years, which is currently more than 150 million workers. SSI-disability is technically available to 195 million adults aged 18 to 64, but recipients must be extremely poor. Private, employer-based long-term disability insurance plans reportedly cover 32 million workers, according to the Council on Disability Awareness (CDA), an industry group representing long-term disability insurance companies. There are also a handful of federal disability plans for specific occupations—railroad employees, coal miners—that cover a tiny fraction of all workers.

Most programs protect against long-term disability of any sort, incurred on the job or off. But other types of protection exist. Workers’ compensation covers 128 million workers for job-only related injuries and related time away from work; roughly 40 percent of workers also have short-term disability policies, according to the Bureau of Labor Statistics.

Generally speaking, most coverage comes through an insurance model, where there are distinct candidate pools, upfront costs to potential beneficiaries (and/or their employers) and defined benefits for those qualifying. Others, like SSI and VA, are designed more like a social safety net; these programs provide defined benefits for qualified individuals, with no payment required.

There is some overlap among programs. For example, a person can receive SSDI and still qualify for other coverage. According to a Congressional Research Service report, about 6 percent of SSDI beneficiaries in 2012 also received benefits from either workers’ compensation or a private disability plan.

More recipients, except not

Each of these programs has experienced significant—but in some cases dissimilar—trends in recent years. Broadly speaking, the total number of recipients has jumped in the federally sponsored disability programs. Annual recipients of SSDI (workers only) and SSI rose by 52 percent and 28 percent, respectively, from 2005 to 2013. The number of people receiving veterans disability increased by 42 percent over the same period—likely due to the wars in Iraq and Afghanistan—while the eligible population declined by 16 percent, according to the U.S. Department of Veterans Affairs.

Statistics on private, long-term disability plans are less robust. Available data show that the annual number of private disability recipients has stayed mostly level since 2009, at around 660,000, according to the CDA, whose members represent 75 percent of this market. In comparison with the three federal plans, long-term private disability plans make up a small fraction of total beneficiaries and have a lower incidence rate (see Chart 1). The number of new beneficiaries is also much

smaller for private plans—about 150,000 in 2013, compared with more 623,000 and 888,000 for SSI and SSDI, respectively.

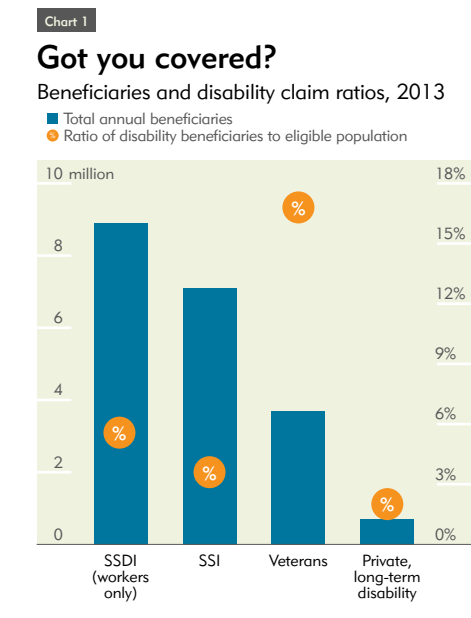
The annual number of workers’ compensation claims is considerable—there are no nationwide claim data, but California (with about 10 percent of covered workers) saw almost 500,000 claims in 2011, according to an annual state report. However, in contrast to growing disability in federal programs, the national rate of workers’ comp claims (per 1,000 insured workers) was cut in half from 1995 to 2009, according to the National Council on Compensation Insurance, which did not respond to data requests.

With much higher enrollments, federal disability programs dominate total program outlays. Combined, recipients of SSDI, SSI and veterans disability re-

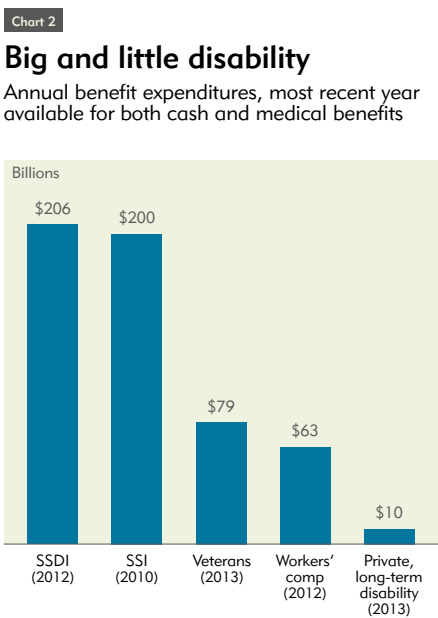
ceived almost \$500 billion a year in cash and medical benefits (see Chart 2). The only private program in the same neighborhood is workers’ compensation, at \$63 billion in benefits.

Costs for both cash and medical benefits have also been rising steadily for public disability plans, while those for workers’ compensation have stayed in check (see Chart 3). By comparison, total real costs for private, long-term disability plans (which are not listed in the chart) went up by 13 percent from 2009 to 2013, to about \$10 billion, according to the CDA.

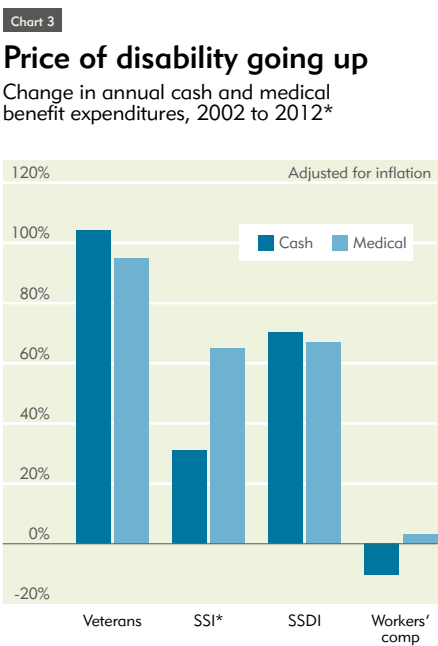
—Ronald A. Wirtz



Source: Social Security Administration, U.S. Department of Veterans Affairs, Council on Disability Awareness



Source: Social Security Administration, U.S. Department of Veterans Affairs, Council on Disability Awareness, National Academy of Social Insurance



* 2000 to 2010, the most recent 10-year period available for SSI.

Sources: Social Security Administration, U.S. Department of Veterans Affairs, National Academy of Social Insurance

Public and private disability programs								
	Eligible beneficiaries	Who administers?	Who pays (directly) for the coverage?	Annual cost	Covered population	Annual beneficiaries	Annual benefits paid	Income replacement level
Workers' compensation	Workers at firms with at least one paid employee	Varies by state; state agencies, private carriers, self-insurance	Employers with at least one employee on payroll	\$83 billion	128 million workers	3.6 claims per 100 insured workers (2009)	\$32 billion, cash benefits; \$31 billion, medical benefits	Varies by state. Maximum monthly payment for total permanent disability in Minnesota is \$850; South Dakota, \$648
Private, long-term disability insurance	Workers at private businesses that purchase long-term disability insurance; some individuals	Employers and individuals	Employers and employees	Not available	32 million workers, via 214,000 employers with policies	653,000	\$9.8 billion (no cost breakdown)	60 percent of income (median)
Temporary or short-term disability (state-mandated only)	Workers at private businesses that purchase short-term disability insurance	State and private insurance plans; only five states plus Puerto Rico require coverage; no data available on other states	Employers, individuals	\$6.5 billion for CA, NJ, RI; no data for HI, NY and PR	At least 25 million in states that require coverage; no data available in states with no requirement	Not available	\$5.8 billion for CA, NJ, NY and RI; no data for HI and PR (no cost breakdown)	Varies; the New York State Insurance Fund paid an average of about \$1,500 for 9,462 claims
Social Security Disability Insurance	Workers who pay Social Security and Medicare payroll taxes	Federal government (Social Security Administration)	Employers and workers through payroll tax	\$106 billion	151 million workers	10.2 million total recipients (including widow(er)s and adult children); 8.9 million disabled workers	\$137 billion in cash benefits; \$69 billion in medical benefits through Medicare	Varies by earnings history; median is \$1,150 per month
Supplemental Security Income	Poor individuals	Federal government (Social Security Administration)	Taxpayers	Same as benefits paid	All adults in poverty	7.1 million	\$48 billion (cash benefits); \$148 billion in Medicaid services to individuals with disabilities (though not all necessarily to SSI recipients)	\$733 per month
Veterans	Veterans with a service-connected disability	Federal government (U.S. Department of Veterans Affairs)	Taxpayers	Same as benefits paid	22 million veterans	3.7 million	\$49 billion for cash benefits; \$29 billion for VA-sponsored health care (estimate based on total VA health care expenditures and share of disabled veterans)	\$1,100 per month

All data from 2012 or 2013 unless otherwise noted
Sources: Social Security Administration; National Academy of Social Insurance; National Council on Compensation Insurance; U.S. Department of Veterans Affairs; New York State Insurance Fund