

A rising disability rate ... has created a public perception with "two extremes." Individuals are either "all cheaters, or they are all incapable of work. Neither is true." ... Disabled people have a wide range of limitations and capabilities. "They are a very heterogeneous pool," but treated as a very homogeneous one.

—Mary Daly



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Kennebeck left Best Buy in 2012, after eight years, and now works three days a week as a personal care assistant for Scott Engstrom (left).

The basics: SSDI and SSI

The nation's two largest long-term disability programs are Social Security Disability Insurance and Supplemental Security Income, both of which are administered by the Social Security Administration.

Social Security Disability Insurance is part of the Old-Age, Survivors and Disability Insurance (OASDI) program administered by the SSA, the same program that funds retirement benefits for seniors. SSDI benefits are funded by worker contributions to Social Security; of the 12.4 percent payroll tax paid by workers and employers, about 15 percent is paid to the Disability Insurance Trust Fund (the remainder goes to the trust fund for old-age retirement benefits).

To qualify for SSDI, individuals must be unable to engage in any "substantial gainful activity" due to a medically verified physical or mental impairment that is expected to result in death or persist at least 12 months. Applicants must also have worked in a job that contributed to Social Security for roughly a quarter of their adult lives before they became disabled and have worked at least five of the past 10 years before the onset of disability. In 2014, there were 151 million workers who in principle could qualify for SSDI.

Income stipends are based on lifetime earnings (similar to old-age retirement benefits). The average SSDI benefit is \$1,150 monthly; virtually all enrollees receive less than \$2,500 per month. SSDI beneficiaries also qualify for Medicare coverage after a two-year waiting period. Both cash and Medicare benefits continue unless the beneficiary earns too much income, recovers from the disability, dies or reaches full retirement age and transfers to Social Security retirement.

Supplemental Security Income is a need-based program that provides a flat monthly cash benefit to aged, blind and disabled individuals with limited income and assets. About 90 percent of SSI recipients qualify on the basis of disability.

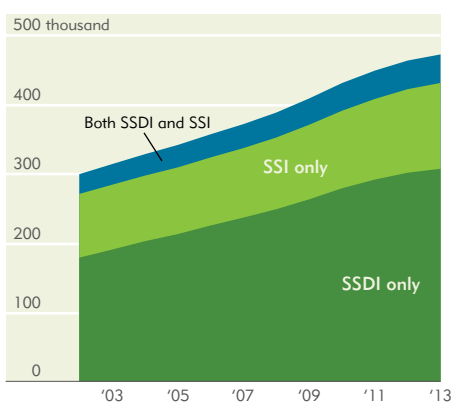
Qualifying for SSI is similar to SSDI, except that there is no prior work or contribution requirement. Individual cash stipends for 2015 are \$733 a month, funded by federal income and other taxes. In most states, SSI recipients are also immediately eligible for Medicaid, the joint federal and state health care program for the poor. Cash and Medicaid benefits continue unless the recipient earns too much money, dies or experiences a medical recovery.

An individual may receive SSI and SSDI if he or she is both poor and has a limited work history that provides a minimal SSDI cash benefit. In 2013, this equaled about 9 percent of beneficiaries (about 41,000 recipients) in the Ninth District. The monthly maximum combined cash benefit is only marginally higher (\$753) than the full SSI cash stipend because SSDI benefits offset those from SSI on a dollar-for-dollar basis after the first \$20. A more significant reason to apply for both SSI and SSDI is the immediate availability of health care with SSI (via Medicaid), which gives enrollees coverage during the two-year SSDI waiting period for Medicare coverage, which is widely seen as superior.

When SSI recipients reach full retirement age, any SSDI benefits are transitioned to old-age benefits, and all recipients move from Medicaid to Medicare.

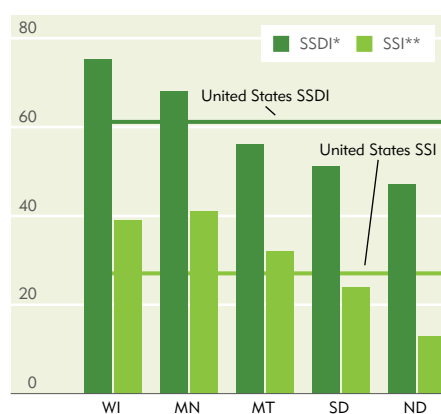
—Ronald A. Wirtz

Chart 2
Disability climbing in Ninth District*
Working-age disability recipients (ages 18 to 64)



* Includes Minnesota, Montana, North Dakota, South Dakota and Wisconsin
Source: Estimates based on Social Security Administration data

Chart 3
More growth in SSDI than SSI
Percent increase in beneficiaries, Ninth District states, 2002 to 2013



* Workers only
** Recipients ages 18 to 64
Source: Social Security Administration

contributing payroll taxes to Social Security), the current rate of SSDI awards is about 50 percent higher than levels in the 1980s. With comparatively low termination rates from the program (more on this later), total workers receiving SSDI almost doubled from 5 million in 2000 to almost 9 million in 2013. Another 2 million receive benefits as the spouses and children of workers with disabilities.

Applications and awards for SSI have also climbed, though at a somewhat lower trajectory. Nevertheless, total disabled recipients nationwide rose from 5.2 million in 2000 to 7.1 million in 2013.

As a share of the labor force, SSDI and SSI enrollments are smaller in the Ninth District than in the nation as a whole (see back page map for SSDI compar-

son). Still, district states are seeing similar enrollment trends in both programs (see Charts 2 and 3; detailed, state-level data go back only to 2002). From 2002 to 2013, SSDI worker beneficiaries in district states increased by 68 percent compared with 61 percent nationally. Wisconsin has seen the strongest increase in SSDI, at almost 80 percent. North Dakota saw the smallest increase (almost 50 percent), including a small—and virtually unprecedented—decrease in worker recipients in 2013.

SSI enrollment in Ninth District states grew by 37 percent over the same period, with Minnesota, Montana and Wisconsin all seeing faster growth in recipients than the national rate of 27 percent, while the Dakotas saw slower growth.

As enrollment has risen, so has the ex-