

CHAPTER 3

SOCIAL SECURITY DISABILITY INSURANCE PROGRAM

SOCIAL SECURITY (DI^a) BY THE NUMBERS (2007)

Workers Paying Social Security Taxes	163.2 million
DI Tax Rate (on both the Employee and Employer)	0.9 percent (in 2009)
Maximum Wage Taxed	\$ 106,800 (in 2009)
Total Receiving Disability Benefits	8.9 million
Disabled workers	7.1 million
Dependents of disabled workers	1.8 million
Average Monthly Benefit	
Disabled workers	\$ 979
DI Benefits as Percentage of GDP	0.7 percent
Administrative Costs as Percentage of Taxes Collected	2.6 percent

Source: Social Security Administration, *The 2008 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds* (Baltimore, MD: U.S. Social Security Administration, 2008).

^a Disability Insurance.

Introduction

In 1956, the Social Security program was expanded to include a disability insurance component. As originally passed in 1956, the program was open to only workers who were age 50 or older. Since then, the program has been expanded to cover all workers and dependents of disabled workers.

Eligibility Requirements

Monthly disability insurance benefits, for a non blind worker age 31 or older, are payable to a disabled worker under the normal retirement age (NRA)¹ and his or her spouse and children, provided the worker is fully

¹ Disability benefits are not paid to persons who have reached the normal retirement age (NRA), which is scheduled to increase gradually from age 65 to age 67, beginning with those

insured² and has at least 20 credits (formerly called quarters of coverage) in the 40 calendar quarters ending with the quarter of disability onset.³ Workers disabled at ages 24 through 30 must have earned credits in one-half of the calendar quarters elapsing between age 21 and the quarter in which disability began. Workers under age 24 need 6 credits in the 12-quarter period ending with the quarter of disability onset. Monthly disability benefits are payable to a blind worker under the NRA and his or her spouse and children, provided the worker is fully insured.⁴

Definition of Disability—To ascertain entitlement to monthly benefits, disability is defined as being so severely impaired, mentally or physically, that an individual cannot perform any substantial gainful work. In addition, the impairment must be expected to result in death or to last for a continuous period of not less than 12 months. Initial determinations of disability are generally made by State Disability Determination Services (DDS) under regulations established by the Secretary of Health and Human Services.

Benefit Calculation—Monthly disability benefits are payable to a disabled worker under the NRA after a waiting period of five full calendar months. A disabled worker receives a monthly benefit equal to his or her primary insurance amount (PIA)⁵ at the time that the disability occurred. For more information on calculating the PIA, see chapter on Social Security.

The benefit is not reduced if it begins before the NRA. If an individual becomes disabled after age 62 and had been receiving a reduced retirement benefit, his or her disability benefit will be reduced to take into account the number of months he or she received the retirement benefit. Like other Social Security benefits, disability benefits are increased each year to reflect changes in the cost of living. If a disabled worker receives workers' compen-

who attain age 62 in 2000 and ending with those who attain age 62 in 2022 and later. When a disabled individual attains the NRA, he or she is transferred to the retirement rolls.

² The number of credits (formerly called quarters of coverage) needed for a worker to be fully insured is equal to the number of full calendar years elapsing between age 21 and either age 62, disability, or death, whichever occurs first. For workers who attained age 21 before 1951, the requirement is one credit for each year after 1950 and before the year of attainment of age 62, disability, or death.

³ The special alternative insured status requirement for young workers disabled before age 31 is one-half the credits (or calendar quarters) after age 21 up to the date of disability, or, if disabled before age 24, one-half the credits (or quarters) in the three years ending with the quarter of disability.

⁴ A person must be *insured* under the Old-Age, Survivors, and Disability Insurance (or Social Security) program before retirement, survivors, or disability insurance benefits can be paid to the person or to the person's family. A person's insured status is determined by the number of Social Security credits earned.

⁵ The primary insurance amount (PIA) is derived from the worker's annual taxable earnings, averaged over a time period that encompasses most of the worker's adult years. For more information on the PIA, see chapter on Social Security.

sation or certain other disability benefits under federal, state, or local law, the total of all such disability benefits may not exceed 80 percent of the worker's recent earnings before the disability began.

Benefits to a disabled worker's family members are paid on the same basis as those to a retired worker's family. However, the maximum family benefit is somewhat more stringent for disabled-worker families than for retired-worker or survivor families. Although the earnings limitation does not apply to disabled-worker beneficiaries, it does apply to working spouses and children who receive benefits as the dependents of disabled beneficiaries.

In order to encourage a return to work, a disabled person who has not recovered but who returns to work is allowed nine months (not necessarily consecutive) of trial work during which his or her benefits are continued.

Return to Work Incentives

On Dec. 17, 1999, P.L. 106-170, the Ticket to Work and Work Incentives Improvement Act was enacted. This legislation provides major enhancements to the Social Security Administration's programs to assist disabled beneficiaries to return to work. It provides the beneficiaries more choices in vocational rehabilitation services, and offers expanded health care for beneficiaries who are no longer eligible for cash benefits due to work. Effective Oct. 1, 2000, the law extends Medicare coverage to beneficiaries who return to work, and offers a buy-in for Medicaid coverage.

To learn more about the return-to-work programs offered under the Ticket to Work and Work Incentives Act and other programs supported by Social Security Administration, see the following Web site:
www.ssa.gov/work/index.html

Nonoccupational Temporary Disability Insurance (TDI) Plans

Nonoccupational TDI plans (so called because payments have a durational limit) cover disabilities that are not job related and that are short term in nature. Most of these plans are voluntary. However, five states (California, Hawaii, New Jersey, New York, and Rhode Island), plus Puerto Rico, and the railroad industry require employers to provide short-term or temporary disability insurance under rules set by law. Workers in states that do not have compulsory TDI laws are often protected by their employers or unions through group disability insurance or formal paid sick-leave plans established through collective bargaining or at the employer's initiative.

The five state TDI laws and the Puerto Rico law cover most commercial and industrial wage and salary workers in private employment if the

employer has at least one worker. Occupational groups generally exclude domestic workers, family workers (parent, child, or spouse of the employer), government employees, and the self-employed. The state programs generally provide elective coverage for some or all public employees (Social Security Administration, 2008b).

The methods used for providing this protection vary depending on the state. Coverage may be provided through a state-operated fund into which all contributions are paid and from which all benefits are disbursed. Some states provide coverage through a state-operated fund but give employers the option of contracting out of the state fund by purchasing group insurance from commercial insurance companies, by self-insuring, or by negotiating coverage through a union-employer benefit plan. Still other states require employers to provide their own TDI plans for their workers by setting up an approved self-insurance plan, by an agreement with employees or a union establishing a labor-management benefit plan, or by purchasing group insurance from a commercial carrier.

In order to limit benefits to individuals with a substantial attachment to the covered labor force, a worker must have a specified amount of past employment or earnings to qualify for benefits. The claimant must also be unable to perform regular or customary work because of a physical or mental condition. All the laws restrict payment of TDI benefits if the claimant is also receiving workers' compensation payments or unemployment benefits.

In all seven TDI systems, weekly benefits are related to a claimant's earnings while in covered employment. In general, the benefit amount for a week is intended to replace at least one-half the weekly wage loss for a limited time (a maximum of between 26 and 52 weeks). All of the laws specify minimum and maximum amounts payable for a week. A noncompensable waiting period of a week or seven consecutive days of disability is generally required before the payment of benefits begins. Both employers and employees (through payroll taxes) may be required to contribute to the cost of TDI benefits. In general, the government does not contribute.

Bibliography

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U.S. Social Security Administration. *Social Security Handbook, Online*. www.ssa.gov/OP_Home/handbook

Additional Information

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(800) 772-1213
www.ssa.gov/disability

For a copy of Social Security's Annual Statistical Supplement, go to:
www.ssa.gov/statistics/Supplement

Other Social Security Web sites:
Ticket to Work and Work Incentives Advisory Panel
www.ssa.gov/work/panel

Office of Employment Support Programs
www.ssa.gov/work/index.html