

CRS Report for Congress

Primer on Disability Benefits: Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI)

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Summary

Generally, the goal of disability insurance is to replace a portion of a worker's income should illness or disability prevent him or her from working. Individuals may receive disability benefits from either federal or state governments, or from private insurers. This report presents information on two components of federal disability benefits, those provided through the Social Security Disability Insurance (SSDI) and the Supplemental Security Income (SSI) programs. The SSDI program is an insured program that provides benefits to individuals who have paid into the system and meet certain minimum work requirements. The SSI program, in contrast, is a means-tested program that does not have work or contribution requirements, but restricts benefits to those who meet asset and resource limitations.

The SSDI program was enacted in 1956 and provides benefits to insured disabled workers under the full retirement age (and to their spouses, surviving disabled spouses, and children) in amounts related to the disabled worker's former earnings in covered employment. The SSI program, which went into effect in 1974, is a needs-based program that provides a flat cash benefit assuring a minimum cash income to aged, blind and disabled individuals who have very limited income and assets.

To receive disability benefits under either program, individuals must meet strict medical requirements. For both SSDI and SSI disability benefits, "disability" is defined as the inability to engage in substantial gainful activity (SGA) by reason of a medically determinable physical or mental impairment expected to result in death or last at least 12 months. Generally, the worker must be unable to do any kind of work that exists in the national economy, taking into account age, education, and work experience.

Both programs are administered through the Social Security Administration (SSA) and therefore have similar application and disability determination processes. Although SSDI and SSI are federal programs, both federal and state offices are used to determine eligibility for disability benefits. SSA determines whether someone is disabled according to a five-step process, called the sequential evaluation process, where SSA is required to look at all the pertinent facts of a particular case. Current work activity, severity of impairment, and vocational factors are assessed in that order. An applicant may be denied benefits at any step in the sequential process even if the applicant may meet a later criterion.

The SSDI program is funded through the Social Security payroll tax and revenues generated by the taxation of Social Security benefits, portions of which are credited to a separate Disability Insurance (DI) trust fund. In contrast, the SSI program is funded through appropriations from general revenues. This report will be updated as warranted.

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Social Security Disability Insurance

The SSDI program is a part of the Old Age, Survivors, and Disability Insurance (OASDI) program administered by the Social Security Administration (SSA). The disability insurance portion of OASDI was enacted in 1956 and provides benefits to disabled workers under age 65 (and to their spouses, surviving disabled spouses, and children) in amounts related to the disabled worker's former earnings in covered employment. The SSDI benefits, like those of the Old Age and Survivors Insurance (OASI), are meant to replace income from work that is lost by incurring one of the risks the social program insures against. Funding for the SSDI and OASI programs is primarily through a payroll tax levied on workers in jobs covered by Social Security, and the benefits are based on an individual's career earnings. At the end of October 2007, nearly 8.9 million disabled workers and their dependents were receiving SSDI benefits.²

¹ This paper was originally written by Laura Haltzel and updated by April Grady and Julie M. Whittaker.

² Social Security Administration, *OASDI Monthly Statistics, October 2007*, (Washington: GPO 2007), Table 1, available on the website of the Social Security Administration at [http://www.ssa.gov/policy/docs/statcomps/oasdi_monthly/2007-10/index.html].

Supplemental Security Income

The SSI program, which went into effect in 1974, is a means-tested program that provides cash payments assuring a minimum income for aged, blind or disabled individuals who have very limited income and assets.³ This program is often referred to as a “program of last resort” since individuals who apply for benefits also are required to apply for all other benefits to which they may be entitled, such as Social Security retirement or disability benefits, pensions, or unemployment benefits. Although the SSI program is administered by SSA, it is funded through general revenues — not payroll taxes. The federal benefit provided through this program, unlike through the SSDI program, is a flat amount (adjusted for other income the individual may have), and is not related to prior earnings. In addition to the federal SSI payment, many states provide additional supplements to certain groups or categories of people. At the end of October 2007, nearly 7.4 million individuals received federally administered SSI payments.⁴ Of these, nearly 6.2 million were entitled to benefits on the basis of disability or blindness.⁵

Type of Benefits and Average Benefit Levels

SSDI

SSDI benefits are based on the worker’s past average monthly earnings, indexed to reflect changes in national wage levels (up to five years of the worker’s low earnings are excluded).⁶ The benefits are adjusted annually for inflation, as measured by the consumer price index for workers (CPI-W). Benefits are also provided to dependents (such as spouses or children), subject to certain maximum family benefit limits. Disability benefits may be offset if the disabled worker is simultaneously receiving workers’ compensation or other public disability benefits. In addition, individuals who receive SSDI benefits also receive Medicare benefits after a 24-month waiting period.

At the end of November 2006, the average monthly SSDI benefit was \$980.20 for disabled workers; \$260.90 for spouses of disabled workers; and \$291.41 for

³ See CRS Report 94-486, *Supplemental Security Income (SSI): A Fact Sheet*, by Scott Szymendera, and CRS Report RS20294, *SSI Income and Resource Limits: A Fact Sheet*, by Scott Szymendera.

⁴ Includes federally administered state supplementation. Ten states provide supplemental payments that are federally administered (other states that provide supplemental payments administer them at the state level).

⁵ Social Security Administration, *SSI Monthly Statistics, October 2007*, (Washington: GPO 2007), Tables 1 and 2, available on the website of the Social Security Administration at [http://www.ssa.gov/policy/docs/statcomps/ssi_monthly/2007-10/index.html].

⁶ The basic benefit formula for SSDI benefits is similar to the benefit formula for Social Security Old Age and Survivors benefits. The worker’s past annual covered earnings are indexed to reflect changes in national earnings levels. A formula which provides a higher replacement rate for low earners is then applied to these averaged earnings.

children of disabled workers.⁷ The average age of a disabled worker beneficiary in 2006 was 52.1 years.⁸

SSI

The basic federal SSI benefit is the same for all beneficiaries. In 2008, the maximum SSI payment (also called the federal benefit rate), regardless of age, is \$637 per month for an individual living independently or \$956 per month for a couple living independently. Federal SSI benefits are increased each year to keep pace with inflation (as measured by the CPI-W). The monthly SSI benefit may be reduced if an individual has other income or receives in-kind (non-cash) support or maintenance. However, states may voluntarily supplement this payment to provide a higher benefit level than that specified in federal law.

SSI recipients living alone or in a household where all members receive SSI benefits are also automatically eligible for food stamps. States have three options for determining Medicaid eligibility for SSI recipients. In 32 states and the District of Columbia, individuals who are eligible for SSI are automatically eligible for Medicaid. SSI recipients in seven states and the Northern Mariana Islands are eligible but must complete a separate application for Medicaid. Eleven other states have the option to impose Medicaid eligibility requirements that are more restrictive than SSI criteria.

Individuals may receive SSDI, SSI based on disability (or blindness or age), or both (some may also receive other benefits). The amount of the SSI benefit may be adjusted based on receipt of other income, such as SSDI benefits (the SSDI benefit is not reduced if the recipient also receives SSI benefits, because SSDI is not means-tested). As **Figure 1** shows, over the past several years, the number of adults (age 18-64) receiving disability-related Social Security benefits has increased faster than those receiving disability-related SSI benefits or those receiving both types of benefits.⁹

At the end of November 2006, the average monthly federally administered SSI payment amount was \$465.80 for all recipients; \$551.70 for children under age 18; \$481.60 for adults age 18-64; and \$385.30 for adults age 65 and older.¹⁰

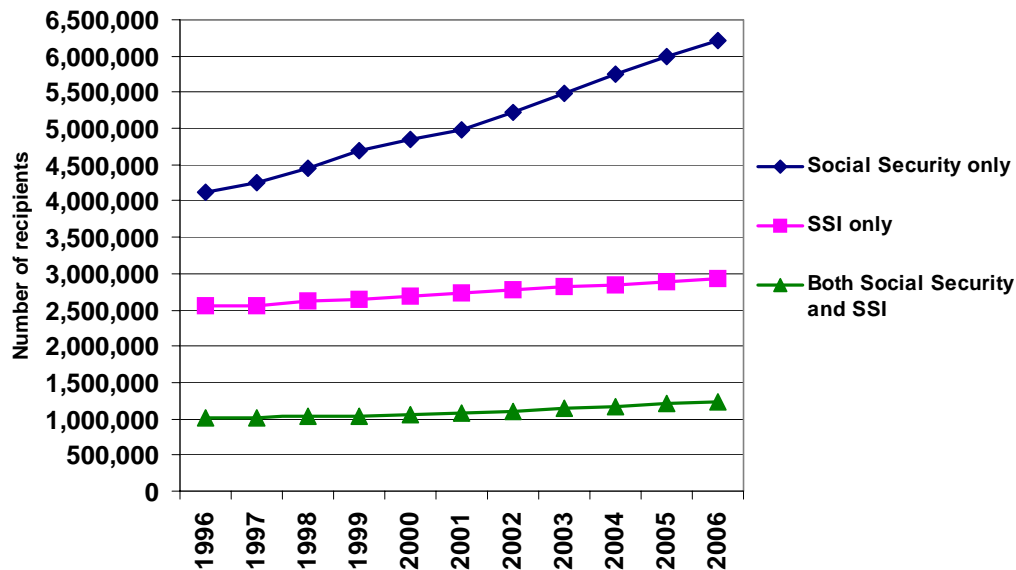
⁷ Social Security Administration, *OASDI Monthly Statistics, October 2007*, (Washington: GPO 2007), Table 5, available on the website of the Social Security Administration at [http://www.ssa.gov/policy/docs/statcomps/oasdi_monthly/2007-10/index.html].

⁸ Social Security Administration, *Annual Statistical Report on the Social Security Disability Insurance Program, 2006*, (Washington: GPO 2007), Table 19, available on the website of the Social Security Administration at [http://www.ssa.gov/policy/docs/statcomps/di_asr/2006/].

⁹ Although the majority of disability-related Social Security benefits are paid under SSDI, some individuals receive disability-related OASI benefits (e.g., disabled adult children of retirees, disabled widow(er)s and disabled adult children of deceased retirees).

¹⁰ Social Security Administration, *SSI Monthly Statistics, October 2007*, (Washington: GPO (continued...))

Figure 1. Adults (Age 18-64) Receiving Social Security Benefits, SSI, or Both on the Basis of Disability



Source: Social Security Administration, *SSI Annual Statistical Report, 2006*, (Washington: GPO 2005), Table 14.

Note: The number of individuals receiving Social Security benefits includes disabled workers, disabled widow(er)s, and disabled adult children. The SSI number includes those receiving federal SSI benefits, federally administered state supplements, or both.

Eligibility Requirements

Definition of Disability

For both SSDI and SSI disability benefits, “disability” is defined as the inability to engage in substantial gainful activity (SGA) by reason of a medically determinable physical or mental impairment expected to result in death or last at least 12 months. Generally, the worker must be unable to do any kind of work that exists in the national economy, taking into account age, education, and work experience.

The definition of disability for disabled children receiving SSI benefits is slightly different from adults. Instead of demonstrating work limitations, children are required to demonstrate that they have “marked or severe functional limitation,” and in addition, they are subject to slightly different criteria for the medical listings.

¹⁰ (...continued)

2007), Table 7, available on the website of the Social Security Administration at [http://www.ssa.gov/policy/docs/statcomps/ssi_monthly/2007-10/index.html].

SSDI

To be eligible for SSDI benefits, a worker must be (1) insured, and (2) disabled according to the definition of disability. To be insured, they must have worked a minimum amount of time in employment covered by Social Security (similar to eligibility for OASI benefits). However, for disability benefits, if an individual does not have 40 quarters of coverage (generally about 10 years), they must have one quarter of coverage (one quarter of coverage is equal to \$1,050 in 2008 and indexed to the annual increase in wages) for each year after 1950 or from age 21 up to the onset of disability. In addition, a recency of work test requires the worker to have 20 quarters of coverage in the 40 quarters preceding the onset of disability (generally five years of work in the last 10). Workers under age 31 need to have credit in one-half of the quarters during the period between when they attained age 21 and when they became disabled (a minimum of six quarters is required).

Once an individual's application for SSDI benefits has been approved, he or she will receive benefits after a five-month waiting period from the time the disability began, and will receive Medicare coverage 24 months after SSDI benefits begin. Disability benefits will continue as long as the individual remains disabled, or until he or she reaches the full retirement age (currently age 65 and six months for workers born in 1940) when the benefits automatically convert to retired worker benefits. According to law, SSA periodically conducts continuing disability reviews, or CDRs, to determine whether the individual is still disabled. How often the beneficiary's medical condition is reviewed depends on how severe it is and the likelihood it will improve. The SSDI award notice explains when the first review is expected.. If medical improvement is expected, the first review will be six to 18 months after first receiving disability benefits. If medical improvement possible the case will be reviewed about every three years. If medical improvement is unlikely, the case will be reviewed only about once every five to seven years. If the beneficiary has received SSDI benefits for at least 24 months, a medical review will not be initiated solely on account of work activity.

Of the individuals whose SSDI benefits are terminated, the majority are due to factors other than medical recovery. In 2006, of the nearly 500,000 disabled workers' benefits that were terminated, 44.4% were because of conversion to retirement benefits and 39.5% were due to the individual's death. Another 5.2% of those terminated had a medical improvement, while 7.1% had earnings from work above the substantial gainful activity earnings limit.

Table 1. Reasons for SSDI Worker Benefit Termination, 2005

	Number of Workers	Percent of Terminations
Total terminations/ suspensions	511,128	100.0%
Attainment of normal retirement age	226,858	44.4%
Death of beneficiary	201,774	39.5%
Medical improvement	26,526	5.2%
Work above SGA	36,242	7.1%
Other	19,728	3.9%

Source: Social Security Administration, *Annual Statistical Report on the Social Security Disability Insurance Program, 2006*, (Washington: GPO 2006), Table 50.

SSI

To receive SSI aged benefits, an individual must be at least 65 years old. To receive SSI disability benefits, an individual must meet the same definition of disability that applies under the SSDI program (see the section below on the “Disability Determination Process”). To qualify for SSI benefits because of blindness, an individual must have visual acuity of 20/200 or less with the use of a correcting lens in the person’s better eye, or tunnel vision of 20 degrees or less. In addition to age, disability, or blindness, an individual must meet income and resource tests to qualify for SSI benefits. They must also (1) be a citizen of the United States, or if not a citizen, (a) be a refugee or asylee who has been in the country for less than seven years, or (b) be a “qualified alien” who was receiving SSI as of August 22, 1996, or who was living in the United States on August 22, 1996, and subsequently became disabled; (2) be a resident of the United States or the Northern Mariana Islands, or a child of a person in the military stationed outside the United States;¹¹ (3) apply for all other benefits to which they are entitled; and (4) if they are disabled, accept the vocational rehabilitation services that they are offered. There is no recency of work test for SSI benefits as there is for SSDI benefits.

The countable resource limit for SSI eligibility is \$2,000 for individuals and \$3,000 for couples. These amounts are not indexed for inflation and have remained at their current levels since 1989. Some resources are not counted in determining eligibility for SSI. Among the excluded resources are: an individual’s home; a car used for essential transportation (or, if not essential, up to \$4,500 of its current value); property essential to income-producing activity; household goods and personal effects totaling \$2,000 or less; burial funds of \$1,500 or less; and life insurance policies with total face value of \$1,500 or less.

Two types of income are considered for purposes of determining SSI eligibility and payment amounts: earned and unearned. Earned income includes wages, net earnings from self-employment, and earnings from services performed. Most other income not derived from current work (including Social Security benefits, other government and private pensions, veterans’ benefits, workers’ compensation, and in-kind support and maintenance) is considered “unearned.” In-kind support and maintenance includes food, clothing, or shelter that is given to an individual. If an individual (or a couple) meets all other SSI eligibility requirements, their monthly SSI payment equals the maximum SSI benefit minus countable income.

Not all income is counted for SSI purposes, and different exclusions apply to earned and unearned income. Monthly unearned income exclusions include a general income exclusion of \$20 per month that applies to non needs-based income. Food stamps, housing and energy assistance, state and local needs-based assistance, in-kind support and maintenance from non-profit organizations, student grants and

¹¹ SSI benefits are not available to residents of Puerto Rico, Guam, or the United States Virgin Islands. Residents of these jurisdictions are eligible to receive federal benefits from their commonwealth or territorial government under provisions of Title XIV and Title XVI of the Social Security Act. These benefits are administered by the Department of Health and Human Services.

scholarships used for educational expenses, and income used to fulfill a plan for achieving self-support (PASS) are also excluded from unearned income. Once the \$20 exclusion (and any other applicable exclusion) is applied to unearned income, there is a each dollar for dollar reduction in SSI benefits (each dollar of countable unearned income reduces the SSI benefit by one dollar).

Monthly earned income exclusions include any unused portion of the \$20 general income exclusion, the first \$65 of earnings, one-half of earnings over \$65, impairment-related expenses for blind and disabled workers, and income used to fulfill a PASS. As a result of the one-half exclusion for earnings, once the \$65 exclusion (and any other applicable exclusion) is applied to earned income, SSI benefits are reduced by \$1 for every \$2 of earned income. In 2008, the monthly earned income amount at which an individual with no unearned income and no special earned income exclusions no longer qualifies for a federal SSI payment (not including any state supplement) is \$1,359 (also called the earned income “breakeven” amount); the monthly earned income amount at which a couple no longer qualifies is \$1,997. The earned income breakeven amount may be lower for SSI recipients with unearned income and those who do not live independently; it may be higher for those who receive special earned income exclusions related to a PASS or to work.

In some cases, the income and resources of non-recipients are counted in determining SSI eligibility and payment amounts. This process is called “deeming” and is applied in cases where an SSI-eligible child lives with an ineligible parent, an eligible individual lives with an ineligible spouse, or an eligible non-citizen has a sponsor.

In contrast to SSDI, the majority of adults who have their SSI disability benefits terminated are terminated because of having too much income. Unlike SSDI benefits, SSI benefits may be suspended for one month, and paid in the next depending on an individual’s income or resources.¹² **Table 2** shows SSI recipients who had their benefits terminated. For both SSDI and SSI recipients age 18-64, less than 10% of suspensions are due to recovering from disability.

¹² Benefits are terminated if benefits have been suspended for at least 12 consecutive months.

Table 2. SSI Recipients with Benefits Terminated by Age and Reason, 2003

	Number of Recipients		Percent of Recipients	
	Under Age 18	Age 18-64	Under Age 18	Age 18-64
Total Terminations	62,676	470,025	100.0	100.0
Excess Income	24,551	290,006	39.2	61.7
Excess Resources	4,796	10,804	7.7	2.3
Death of Recipient	5,051	85,428	8.1	18.2
No longer disabled	16,747	27,663	26.7	5.9
Other	11,531	56,124	18.4	11.9

Source: Social Security Administration, *SSI Annual Statistical Report, 2004*, (Washington: GPO 2005), Table 61.

Disability Determination Process

The application process for SSDI and SSI disability benefits is very much the same.¹³ Although SSDI and SSI are federal programs, both federal and state offices are used to determine eligibility for benefits. An individual applies for benefits at a local Social Security Administration office where they are interviewed to obtain relevant medical and work history and to see that required forms are completed. The case may be denied at that point because the applicant does not have SSDI insured status or is earning too much money from work (work above the SGA earnings limit) in the case of Social Security disability cases, or is above the income and resource limits in the case of SSI disability cases — otherwise it is forwarded to the state disability determination service (DDS) for a medical determination.

The medical determination for both types of disability benefits is made on the basis of evidence gathered in the individual's case file. Ordinarily there is no personal interview with the applicant on the part of the state personnel who decide the claim.

SSA determines whether someone is disabled according to a five-step process, called the sequential evaluation process, where SSA is required to look at all the pertinent facts of a particular case. Current work activity, severity of impairment, and vocational factors are assessed in that order. An applicant may be denied benefits at any step in the sequential process even if the applicant may meet a later criterion. For example, a worker that meets the medical listings for disability but earns an amount exceeding the SGA earnings limit would be denied benefits at Step 1. The five steps are as follows.

¹³ For additional information see CRS Report RL33374, *Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI): The Disability Determination and Appeals Process*, by Scott Szymendera.

- Step 1. *Work test*. Is the individual working and earning over SGA (\$940 per month for a non-blind individual or \$1,570 per month for a blind individual in 2008)? If yes, the application is denied. If no, the application moves to Step 2.
- Step 2. *Severity test*. Is the applicant's condition severe enough to limit basic life activities for at least one year? If yes, the application moves to Step 3. If not, the application is denied.
- Step 3. *Medical listings test*. Does the condition meet SSA's medical listings, or is the condition equal in severity to one found on the medical listings?¹⁴ If yes, the application is accepted and benefits are awarded. If no, the application moves to Step 4.
- Step 4. *Previous work test*. Can the applicant do the work he or she had done in the past? If yes, the application is denied. If not, the application moves to Step 5.¹⁵
- Step 5. *Any work test*. Does the applicant's condition prevent him or her from performing any other work that exists in the national economy? If yes, the application is accepted and benefits are awarded. If no, the application is denied.

Program Financing Information

The SSDI program is primarily funded through the Social Security payroll tax, a portion of which is credited to a separate Disability Insurance (DI) trust fund. By contrast, the SSI program is funded through appropriations from general revenues.

SSDI

The payroll tax is a 15.3% tax on earnings that is split equally between employees and employers. Payroll tax revenues are used to pay benefits under the Social Security OASDI program and the Medicare Hospital Insurance (HI) program. The Social Security portion of the payroll tax is 12.4% (6.2% each per employee and employer) on earnings up to the taxable maximum (\$102,000 in 2008). Of the 12.4%, 10.6% is paid to the OASI trust fund and 1.8% is paid to the DI trust fund. In addition to these payroll tax contributions, the DI trust fund receives some revenue from the taxation of Social Security benefit payments. These combined revenues are

¹⁴ The medical listings can be found in the Social Security Administration publication *Disability Evaluation Under Social Security*, available at [<http://www.ssa.gov/disability/professionals/bluebook/Entire-Publication1-2005.pdf>]. This publication is commonly referred to as the *SSA Blue Book*. (Hereafter cited as *SSA Blue Book*.)

¹⁵ Cases of children applying for SSI benefits are not subject to the work test but instead to a test of functional capacity.

invested in non-marketable government bonds, which earned an effective annual interest rate of 5.3% in 2007.¹⁶

The resources in the DI trust fund are used to pay SSDI benefits. Currently, the DI trust fund is running a surplus as revenues coming into the trust fund exceed benefits paid out. Under current projections, this trend will continue for the next nine years, but after that the program expenditures are projected to exceed its revenues, leading to the exhaustion of the DI trust fund in 2026. In contrast, the OASI trust fund will be depleted in 2042, and taken together the OASDI trust fund will be depleted in 2041.¹⁷ Among other things, the rapid rise in expenditures will be a reflection of the aging of the baby boom, as more of them are projected to apply for SSDI benefits when they reach ages 50-65, at which higher rates of disability incidents occur.

SSI

The SSI program is financed through the general revenue of the United States. Each year, Congress appropriates money to pay both SSI benefits and administrative costs. The SSI Appropriation for FY2006 was \$40.203 million, with \$37.340 million going to pay SSI benefits and \$2.863 million going to pay for program administration, vocational rehabilitation, and research.¹⁸

¹⁶ Data taken from the Social Security Administration Office of the Chief Actuary and is available at [<http://www.ssa.gov/OACT/ProgData/effectiveRates.html>].

¹⁷ Data is taken from the “intermediate” assumptions of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds as published in Table IV.B.3 of their 2007 *Annual Report*, available at [<http://www.ssa.gov/OACT/TR/TR07/index.html>].

¹⁸ Social Security Administration, *Fiscal Year 2008 Budget*, p. 6, available online at [<http://www.ssa.gov/budget/2008bud.pdf>].