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Social Security Disability Insurance (SSDI)

What is SSDI?

Social Security Disability Insurance (SSDI) is a federal social insurance program that provides monthly cash benefits to nonelderly disabled workers and their eligible dependents, provided the worker paid into the system for a sufficient number of years. The program is part of Old-Age, Survivors, and Disability Insurance (OASDI), commonly known as Social Security. As with Old-Age and Survivors Insurance (OASI)—the retirement component of Social Security—benefits are based on a worker's past earnings in covered employment. The Social Security Administration (SSA) administers both SSDI and OASI.

Who is Eligible for SSDI?

To qualify for SSDI, workers must be (1) insured in the event of disability, (2) statutorily disabled, and (3) under Social Security's full retirement age (FRA), which is 65-67, depending on year of birth. To achieve insured status, individuals must have worked in jobs covered by Social Security for about a quarter of their adult lives and for at least five of the 10 years prior to the onset of disability. However, younger workers may qualify with less work experience based on their age. In 2017, SSDI provided disability insurance coverage to 154 million workers; about 89% of covered workers aged 21-64 were insured for SSDI.

To meet the statutory test of disability, insured workers must be unable to engage in any *substantial gainful activity* (SGA) due to any medically determinable physical or mental impairment that is expected to last for at least one year or to result in death. SSA uses a monetary threshold to determine whether an individual's work activity constitutes SGA, which is adjusted annually for earnings growth. In 2018, the SGA earnings limit for most workers is $1,180 per month. In general, workers must have a severe impairment (or combination of impairments) that prevents them from doing any kind of substantial work that exists in significant numbers in the national economy, taking into consideration their age, education, and work experience. The work need not exist in the immediate area in which the claimant lives, nor must a specific job vacancy exist for the individual. (SSDI does not pay benefits for partial or short-term disabilities.)

Some family members are also eligible for benefits, subject to maximum family benefit rules.

- *Spouses* may qualify if they are (1) aged 62 or older or (2) any age and care for an eligible child who is under age 16 or disabled.
- *Children* may qualify if they are unmarried and (1) under age 18, (2) aged 18-19 and in school, or (3) aged 18 or older and became disabled before age 22 and remain so.

How Many People Are on SSDI and How Much Do They Receive?

In January 2018, 10.4 million individuals received SSDI benefits, including 8.7 million disabled workers, 124,000 spouses of disabled workers, and 1.6 million children of disabled workers (**Table 1**).

Table 1. Number of SSDI Beneficiaries and Average Benefit Levels, by Type, January 2018

Beneficiary	Number (thousands)	Average Monthly Benefit	Total Monthly Benefits (millions)
Total	**10,391**	**$1,060**	**$11,013**
Disabled Workers	8,677	$1,197	$10,388
Spouses	124	$336	$42
Children	1,589	$367	$584

Source: Social Security Administration (SSA), "Monthly Statistical Snapshot, January 2018," February 2018, Table 2.

Cash benefits begin five full months after a worker's disability onset date. This requirement is known as the *five-month waiting period*. Initial benefits are based on a worker's career-average earnings in covered employment, indexed to reflect changes in national earnings levels. The benefit formula is progressive, replacing a greater share of career-average earnings for low-wage workers than for high-wage workers. Initial benefits may be offset if a disabled worker also receives state workers' compensation or certain other public disability benefits. SSDI benefits are subsequently adjusted to account for inflation through cost-of-living adjustments (COLAs). In January 2018, the average monthly benefit for a disabled worker was $1,197 (**Table 1**). On an annualized basis, the average disabled-worker benefit is $14,364, which is about 118% of the federal poverty level (FPL) for an individual.

In addition to cash benefits, disabled workers and certain disabled dependents are eligible for health coverage under Medicare after 24 months of entitlement to cash benefits (generally 29 months after the onset of disability). This requirement is known as the *24-month waiting period* and does not apply to workers with amyotrophic lateral sclerosis (ALS) or end-stage renal disease (ESRD). Due in part to this waiting period, only 68% of disability beneficiaries under age 65 reported entitlement to Medicare in 2016. Medicare spending per disabled beneficiary under age 65 was about $12,776 in 2013 (excludes ESRD beneficiaries). Medicare is not provided to non-disabled dependents under age 65.

When Do Benefits Stop?

In general, disabled workers continue to receive SSDI benefits until they (1) die, (2) attain FRA, (3) medically improve, or (4) return to work (i.e., earn above the monthly SGA limit). Most disabled workers who leave the rolls do so because they attain FRA, which is the age at which unreduced Social Security retired-worker benefits are first payable. Disabled workers are transitioned automatically at FRA from SSDI to OASI; however, this change generally does not affect the amount of Social Security benefits paid to them or their dependents.

Are Beneficiaries Allowed to Work?

Yes. SSDI beneficiaries are afforded a *trial work period* (TWP) during which they may test their ability to work and earn any amount for up to nine months (not necessarily consecutive) within a 60-month rolling period without having their benefits reduced or terminated. In 2018, any month in which earnings exceed $850 is considered a month of *services* (i.e., work) and counted toward the beneficiary's nine-month TWP. Following the exhaustion of the TWP, disabled workers enter a 36-month *extended period of eligibility* (EPE), during which their benefits are reinstated for months in which their earnings are within the SGA limit. Disabled workers who earn above the SGA limit after the EPE are generally terminated from the program; however, they retain Medicare coverage for at least 57 months following the EPE (or at least 93 months following the TWP), provided they continue to have a qualifying impairment. About 0.5% of disabled workers leave the SSDI rolls each year due to earnings above the SGA limit.

How is the Program Financed?

Benefits and administrative costs for SSDI and OASI are financed primarily by payroll taxes levied on the earnings of covered workers, which are deposited into the Disability Insurance (DI) and Old-Age and Survivors Insurance (OASI) trust funds. The combined Social Security payroll tax rate is 12.4% of a worker's earnings (6.2% for employers and employees, each), up to a maximum annual amount, which for 2018 is $128,400. The trust funds also receive income from the taxation of a portion of some Social Security benefits and from interest earned on U.S. securities credited to the trust funds for years in which income exceeded cost.

In 2017, total income to the Social Security trust funds was $997 billion, with $171 billion (or 17%) credited to the DI trust fund. That same year, total outlays from the trust funds were $952 billion, with $146 billion (or 15%) coming from the DI trust fund. The trust funds held a combined $2.9 trillion in asset reserves at the end of 2017, with $71 billion (or 2%) credited to the DI trust fund.

The Social Security trustees project that under current law, the trust funds on a combined basis would be able to pay benefits in full and on time until 2034. Individually, the DI trust fund is projected to be depleted in 2028 and the OASI trust fund in 2035. Upon depletion, continuing revenues to the DI trust fund would be sufficient to pay about 93% of benefits scheduled under law, declining to 82% by 2091.

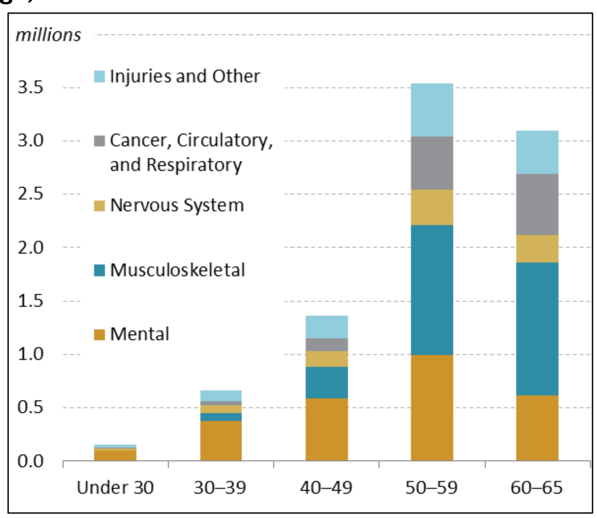
Does SSA Review the Medical Status of Beneficiaries?

SSA periodically reevaluates a beneficiary's disability status by conducting a *continuing disability review* (CDR). The frequency of a CDR depends on the beneficiary's likelihood of medical improvement; most disabled workers are scheduled to receive a review once every three years. Under current law, SSA must find substantial evidence of medical improvement during a CDR to find a SSDI beneficiary no longer disabled. The average savings-to-cost ratio of a CDR over a 10-year period is $9 to $1. About 0.4% of disabled workers leave the SSDI rolls each year due to medical improvement. SSA also performs *work CDRs* to determine if a beneficiary is earning above the SGA limit and if eligibility for benefits should continue.

Characteristics of SSDI Beneficiaries

SSDI provides benefits primarily to older workers; in December 2016, 75% of disabled workers were aged 50 or older. The most common type of impairment among disabled workers aged 50 or older was musculoskeletal (i.e., conditions related to muscles, ligaments, tendons, and bones; **Figure 1**). The common type of impairment among disabled workers under age 50 was mental.

Figure 1. Disabled Workers, by Diagnostic Group and Age, December 2016



Source: SSA, *Annual Statistical Report on the Social Security Disability Insurance Program, 2016*, Table 24.

SSDI benefits are an important source of income to disabled workers and other Social Security beneficiaries who receive benefits due to a disability. In 2016, SSDI benefits made up more than half of personal income for 84% of all disability beneficiaries and were the only source of personal income for 44% of all disability beneficiaries. More than half of all disability beneficiaries in 2016 had family income below 200% of FPL and about 23% had family income below 100% of FPL.

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