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SOCIAL SECURITY DISABILITY: DEMOGRAPHIC AND ECONOMIC
CHARACTERISTICS OF NEW BENEFICIARIES(U) GENERAL
ACCOUNTING OFFICE WASHINGTON DC HUMAN RESOURCES DIV
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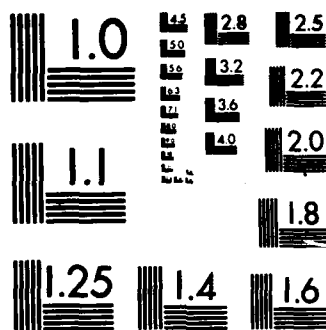
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United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-229289

January 22, 1988

The Honorable Andy Jacobs, Jr.
Chairman, Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

The Honorable John Heinz
Ranking Minority Member
Special Committee on Aging
United States Senate

In response to your request and later discussions with your offices, we are providing information on the demographic, health, and economic conditions of social security disability insurance program beneficiaries.¹ This report is based on our analysis of data from the 1982 New Beneficiary Survey by the Social Security Administration (SSA) and represents the first phase of a two-phase study. For the second phase, we are working with the Bureau of the Census to conduct a new survey of three groups of social security disability program participants: beneficiaries, denied applicants, and terminated beneficiaries. We will present our findings from this new survey in a subsequent report.

SSA conducted its New Beneficiary Survey between October and December 1982, collecting a wide range of demographic and economic data from a nationally representative sample of 17,155 newly awarded social security beneficiaries, including retired workers, disabled workers, and spouses. Among them were 5,198 disabled workers who first became entitled to disability insurance benefits between July 1980 and June 1981. This disabled worker sample (5,198) represented a population of 224,874 newly awarded beneficiaries during that period. SSA has published in the Social Security Bulletin three articles based on the findings of the 1982 survey describing, respectively, the income, asset holdings, and employment characteristics of new disabled workers.

We analyzed the survey data and obtained information on the survey participants' benefit status as of January 1986 (the most current data available at the time of our analysis). In general, new disabled beneficiaries were not only in poor health but also in poor economic condition, the 1982 survey

¹The Social Security Administration administers two national disability programs--Social Security Disability Insurance (SSDI) and Supplemental Security Income. Our study is limited to SSDI program participants.

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found. Even with the help of income from social security disability benefits, the disabled beneficiaries on average were worse off financially than the retired beneficiaries and the general population.

DEMOGRAPHIC AND EMPLOYMENT CHARACTERISTICS

The disabled beneficiaries surveyed consisted of individuals aged 18 to 64 who had disabling medical conditions that prevented them from working and qualified them for disability benefits. The demographic characteristics of the disabled population were quite different from those of the general public. For example, compared with the general population aged 18 to 64, the new social security disabled beneficiaries as a group generally were older and more likely to be male. More than half of the newly awarded disabled beneficiaries were aged 55 to 64 versus only 15 percent for the general population. Also, over 70 percent of the disabled beneficiaries were men compared with slightly less than half for the general population. Educational attainment levels for disabled beneficiaries were generally lower than those of the general population. Over half of disabled beneficiaries did not complete high school.

These differences may stem from several factors: (1) Older people are more likely to incur long-lasting health problems severe enough to meet social security criteria for disability, (2) the disability program's eligibility requirements favor older claimants and those with lower educational levels, and (3) males, being more dominant in the work force, are more likely to be eligible for social security coverage.

HEALTH AND WORK LIMITATIONS

Most disabled beneficiaries reported multiple health problems, most commonly cardiovascular and muscle/bone problems. One-third of those surveyed had suffered a heart attack or stroke.

Difficulty in performing activities necessary for normal daily functioning, e.g., sitting and standing for prolonged periods, was reported by most disabled beneficiaries. Almost all were severely limited in the kind or amount of work they could do. About six of every seven disabled beneficiaries were totally unable to do any work at all because of their health, they said. Almost one-fourth reported being either bedridden or wheelchair-bound.

FINANCIAL WELL-BEING

Income levels for disabled beneficiaries were generally very low, especially for the unmarried, whose median monthly income was \$462 (\$1,213 for married). Data was collected on income from social security benefits, earnings, assets, pensions, and other government benefits or public transfers. The income levels reported were significantly lower than those of both the general population and the retired beneficiaries. Also, a significant proportion of disabled beneficiaries (17 percent for married, 55 percent for unmarried) reported income below poverty levels, judged against 1982 Bureau of the Census standards.

Income data from the survey may be understated because (1) the data were self-reported and (2) incomes of family members other than spouses were not always reported. Also, the survey did not measure the monetary value of in-kind benefits, such as public housing and food stamps. Thus, the data on income levels and poverty percentages in this report are not presented in absolute terms. Rather, they are intended to provide insight into how disabled beneficiaries' incomes differ from those of retirees (from the same survey) and the general population (from the Bureau of the Census's Current Population Survey for a comparable time period).

Social security disability benefits were the most important source of income for disabled beneficiaries. For married beneficiaries, they accounted for over 40 percent of family income and for unmarried beneficiaries, 60 percent. For the married disabled beneficiaries, their second most important source of income was from earnings, apparently those of nondisabled spouses. Earnings represented only a small share of income for unmarried disabled beneficiaries, whose second most important source of income consisted of other public transfers such as welfare.

Although about three-fourths of disabled beneficiaries or their spouses reported owning some type of asset in 1982, their value was quite small. Home ownership was their most important asset--almost two-thirds of disabled beneficiaries owned their homes and home equity accounted for most of their reported wealth.

Disabled beneficiaries held lower levels of all assets than did retired beneficiaries. Younger disabled beneficiaries had much lower asset levels than older disabled or retired beneficiaries. Total median net worth, excluding residence, reported by disabled beneficiaries under age 55 was only \$54

compared with \$1,114 for disabled beneficiaries aged 55-64 and over \$14,000 for retired beneficiaries.

BENEFIT STATUS FOR THE 1982 SURVEY POPULATION UPDATED TO 1986

As of January 1986, about 63 percent of the 1982 disabled beneficiaries in the survey population were still receiving disability benefits. Just 7 percent had been terminated/suspended from the rolls, 17 percent had converted to social security retirement, and 13 percent had died. Compared with those who stayed on the rolls, the disabled beneficiaries who by 1986 had been terminated were at the time of the 1982 survey generally younger and had less severe health problems.

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In commenting on a draft of this report, the Inspector General of the Department of Health and Human Services (HHS) stated that HHS is in general agreement with the report. He provided some technical comments, which we incorporated where appropriate.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from its issue date. At that time, we will send copies to interested parties and make copies available to others on request.

Should you need additional information on the contents of this report, please call me on 275-6193.

Franklin Frazier
Franklin Frazier
Associate Director

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Abbreviations

GAO	General Accounting Office
HHS	Department of Health and Human Services
NBS	New Beneficiary Survey
SGA	substantial gainful activity
SSA	Social Security Administration
SSDI	Social Security Disability Insurance

SOCIAL SECURITY DISABILITY:

DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF NEW BENEFICIARIES

INTRODUCTION

The Social Security Disability Insurance (SSDI) program provides cash benefits to insured workers who cannot work because of disabling health conditions. Benefits are based on the work history and average earnings of the insured worker. Under this program, disability is defined as the inability to engage in "substantial gainful activity" (SGA)¹ by reason of any medically determinable physical or mental impairment expected to last at least 12 months or result in death. In calendar year 1986, this program paid over \$17.7 billion to 3.9 million disabled workers and their families. The benefits are intended to provide for the material needs of disabled persons and their families and protect them against the expenses of illnesses that otherwise could exhaust their savings. To gain insured status, a person generally must have worked in social security-covered employment for at least 5 of the 10 years preceding disability. To qualify for benefits, a person must not only be unable to perform his or her previous work but also be unable to engage in any other kind of substantial gainful work that exists in the national economy.

OBJECTIVES, SCOPE, AND METHODOLOGY

In a December 3, 1985, letter, John Heinz, then Chairman of the Senate Special Committee on Aging, requested that we conduct a broad study of disabled persons. On February 4, 1986, James R. Jones, then Chairman of the Subcommittee on Social Security, House Committee on Ways and Means, made a similar request. Both sought detailed demographic and economic information on three groups of participants in the social security disability program--beneficiaries, denied applicants, and terminated beneficiaries. The committees indicated that the study had long been needed and that information about the conditions and attitudes of those three groups of disability program participants could have great impact on future design and policy decisions in the program.

This report, the first of two on the conditions of disabled persons, describes the health, employment, and economic conditions of disabled-worker beneficiaries (also referred to in this report as disabled workers or disabled beneficiaries). It is based on our

¹Describes a level of work activity that is productive and yields remuneration or profit. Generally, SSA considers average earnings of \$300 per month to be reasonable indications that an individual is engaged in SGA.

analysis of data from SSA's 1982 New Beneficiary Survey (NBS).² Also, we are working with the Bureau of the Census to conduct a new survey of all three groups of social security disability program participants: beneficiaries, denied applicants, and terminated beneficiaries. We plan to present findings from the latter survey in a subsequent report.

SSA conducted the NBS between October and December 1982 to gather a wide range of demographic and economic data on a nationally representative sample of 17,155 newly awarded social security beneficiaries. Using personal interviews, SSA surveyed retired and disabled workers and spouses 18-30 months after their entitlement to benefits. The delay was calculated to allow the beneficiaries a period of adjustment to their new status.

Among those sampled were 5,198 disabled workers selected from SSA's Master Beneficiary Record who became entitled to disability insurance benefits between July 1980 and June 1981. The NBS disabled-worker sample and the population it represented (224,874 newly awarded disability beneficiaries) excluded those who died between entitlement and interview and those institutionalized during the interview period. Included in the survey as disabled beneficiaries were those who had attained age 65 and had been converted automatically to retired-worker benefits by the time of the interview. If such conversion were not automatic, SSA reasoned, they would have been receiving disability benefits when interviewed. Also surveyed were a small number of disabled beneficiaries who had recovered and were no longer receiving disability benefits at the time of the interview.

Temple University's Institute for Survey Research performed the survey under contract with SSA. The questionnaire used was based on experiences gained from three prior disability surveys. The initial draft went through six pretests, which resulted in extensive modifications to the instrument. The interviews were conducted in person in the 48 contiguous states and the District of Columbia. Before receiving their interview assignments, interviewers participated in a 3-day training program. In addition to editing the data, the Institute sent a follow-up validation letter (verifying certain demographic questions and questions concerning the administration of the interview) to all

²Based on the findings of the 1982 survey, SSA has published three articles in the Social Security Bulletin describing, respectively, the income, asset holdings, and characteristics of the longest job of new disabled workers. Our report provides a comprehensive overview of the demographic, health, and economic conditions of the disabled beneficiaries and presents data on the current benefit status and the characteristic differences between those who have since recovered and those who continue to stay on the rolls.

participating respondents and rectified inconsistencies. Upon examining the interview and data verification procedures used by the Institute and SSA, we believe that the procedures were adequate.

In addition to obtaining a copy of data tapes from the 1982 survey, we asked SSA for updated records of survey participants' current benefit status from its January 1986 Master Beneficiary Records file. The survey data tapes we received had been edited by both the Institute and SSA. While we did not verify that the computerized data in the 1982 survey tapes were the same as the raw data in the survey documents, we did perform computer checks for data logic and consistency. There were no discrepancies in the data fields we examined, and the data quality was satisfactory.

We analyzed SSA's survey interview data and updated the participants' benefit status to 1986 (the most current data available at the time of our analysis), using SSA's administrative data. Through charts and tables in this report, we (1) illustrate the health, employment, income, and assets of the disabled beneficiaries, (2) compare the characteristics of beneficiaries who since the survey had left the rolls with those staying on the rolls, and (3) compare the financial well-being of the disabled beneficiaries with that of the retirees from the same survey.

AGENCY COMMENTS

The HHS inspector general stated that HHS generally agreed with the information presented in the report. He provided technical comments that, for the most part, have been incorporated in the relevant sections of the report.

DEMOGRAPHIC AND EMPLOYMENT CHARACTERISTICS OF DISABLED BENEFICIARIES

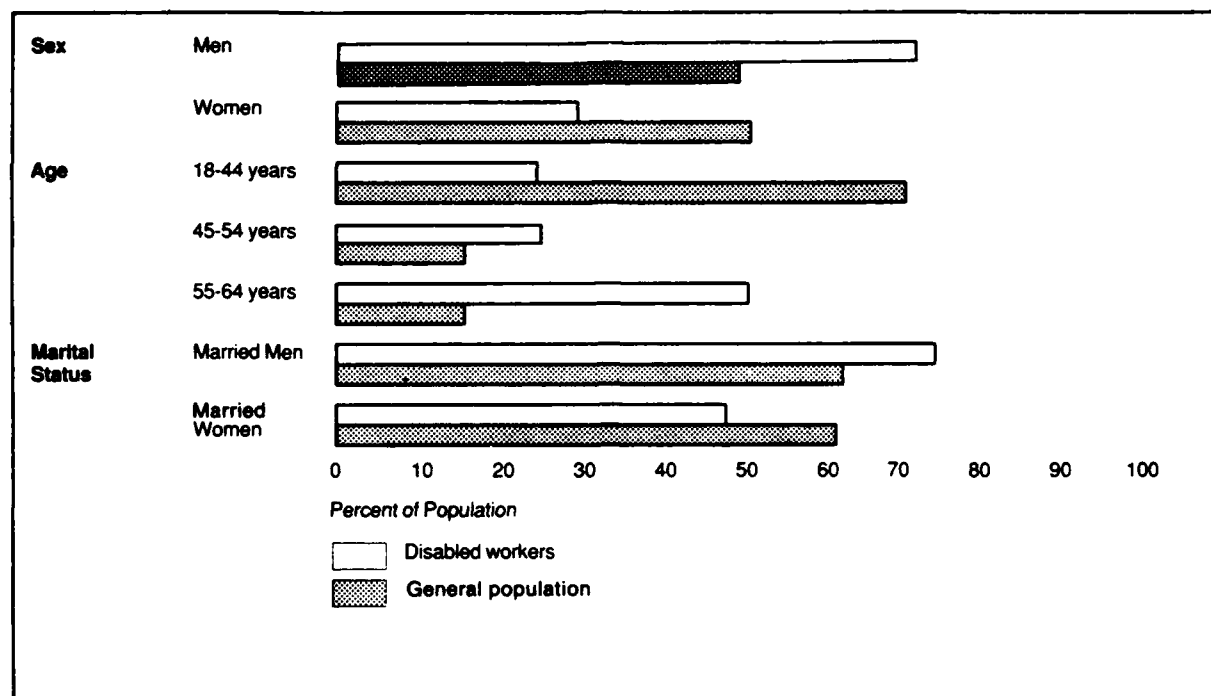
Age, Sex, and Marital Status

In 1982, the majority of disabled workers who came on the social security disability rolls between July 1980 and June 1981 were men and were age 45-64. Also, compared with the general population age 18-64,³ a significantly higher percentage of the disabled beneficiary population were male and age 45-64 (see fig. 1). It is not surprising that a higher proportion of the disabled beneficiaries (71 percent) was male compared with the general population (49 percent), because men are more likely than women to be in the labor force long enough to meet the insured-status requirement to qualify for benefits. Likewise, disabled beneficiaries are more likely to be older than the general population, as older people are more likely to incur health conditions or impairments that are long-lasting and severe enough to meet the disability criteria.

The marital status of disabled beneficiaries also differed significantly from the general population--disabled males were more likely and disabled females less likely to be married (see fig. 1). The smaller proportion of disabled females who were married possibly resulted from the lower labor force participation of married women.

³This age bracket was used because the disabled workers included in the 1982 survey were those age 18-64. Disabled workers age 65 and above become eligible for retired-worker benefits under social security and are automatically converted to retired beneficiaries.

Figure 1: Characteristics of Disabled Beneficiaries Compared with the General Population: Sex, Age, and Marital Status (1962)



Source: General population statistics obtained from the Current Population Report, 1962, Ser.P-20, No.380, Bureau of the Census, U.S. Department of Commerce.

Education Levels and Occupation Distribution

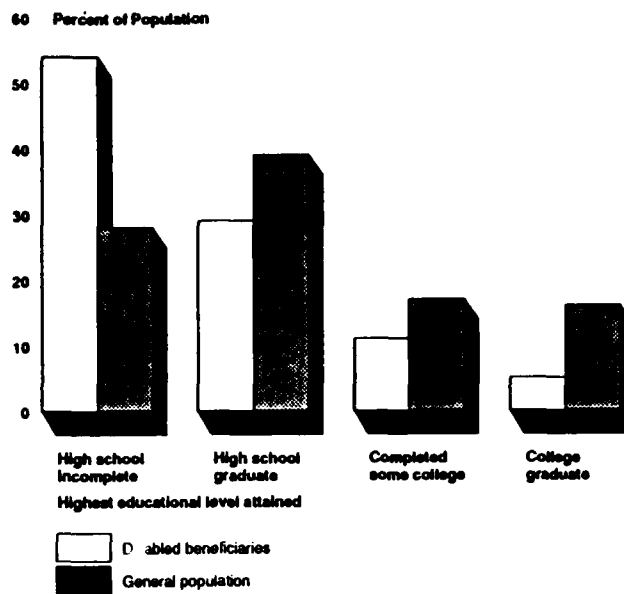
Compared with the general population, the disabled beneficiary population in general was less educated and a significantly higher percentage had not completed high school (see fig. 2). Almost one-third of the disabled beneficiaries had an eighth-grade education or less, and only about 5 percent of the disabled beneficiaries had completed college. In comparison, 14 percent of the general population had an eighth-grade education or less and 16 percent had completed college.

These lower levels of education may affect the occupational distribution of the disabled population prior to disability. Compared with the general population, disabled beneficiaries had a higher concentration in such blue-collar occupations as operators, fabricators, and laborers (31 percent versus 19 percent) and lower participation in the managerial/professional occupations (see fig. 3). Lower levels of educational attainment for disabled beneficiaries most likely lessen their opportunities to enter the managerial/professional occupations.

The survey's findings on the educational and occupational distribution of the disabled beneficiary population are not surprising. As stated before, disabled beneficiaries are generally older than the general population. Thus, a generational effect may have contributed to the lower education level of the disabled population, as the society has a long-term trend toward more education. In addition, education and work experience are part of the consideration in the disability determination decision, and the program criteria generally favor those with less education.⁴

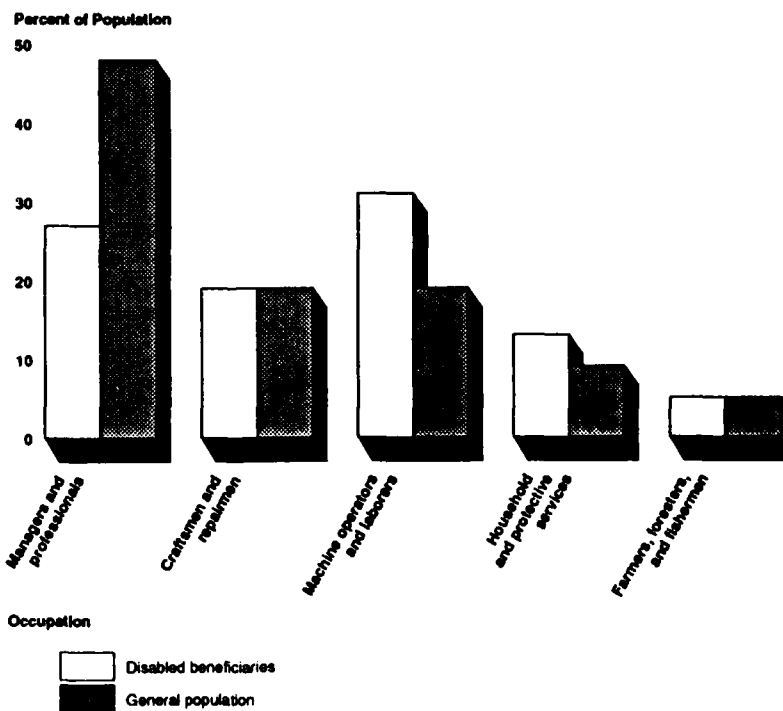
⁴In making disability determinations, adjudicators are required to follow a sequential evaluation process. When a decision cannot be made based on medical factors alone, consideration is given to the claimant's age, education, and work experience. Generally, more favorable rules are used to adjudicate older claimants and persons with less education because they are considered more vocationally disadvantaged.

Figure 2: Educational Level of Disabled Beneficiaries Compared With the General Population (1982)



Source: General population statistics obtained from the "Current Population Report," 1982, Ser. P-60, No. 142, Bureau of the Census, U.S. Department of Commerce.

Figure 3: Occupations of Disabled Beneficiaries Compared With the General Population (1982)



Source: General population statistics obtained from the "Current Population Report," 1982, Ser. P-60, No. 142, Bureau of the Census, U.S. Department of Commerce.

HEALTH AND WORK LIMITATIONS OF DISABLED BENEFICIARIES

Health Status

By definition, workers are in poor health when they become social security disability beneficiaries; they need to meet strict medical criteria for disability. To be eligible, they must have a severe impairment that makes them unable to do not only their previous work but also any other substantial gainful activity that exists in the national economy. If the disability decision cannot be made on medical evidence only, consideration is then given to the person's age, education, and work experience.

Of disabled workers who became social security disability beneficiaries in the July 1980-June 1981 period, the great majority remained in poor health 18-30 months later (at the time of SSA's survey in 1982). In fact, of the total population that became beneficiaries during that time, 14 percent had died by the time the sample was selected for the survey in March 1982 (9-20 months later). These individuals were not included in the survey. In contrast, only 5 percent had medically recovered or been deemed to have recovered by December 1982. This group was included in the survey. Of the beneficiaries who participated in the survey (in late 1982), by January 1986 another 13 percent had died, while only another 2 percent had recovered or were deemed to have recovered (see table 1).

The survey data also reflect the poor health conditions of the disabled beneficiaries. For example, because of their health 86 percent of the disabled beneficiaries were totally unable to do any work for pay, they reported. Almost one-fourth reported being either bedridden or wheelchair-bound. Given 12 major categories of health conditions such as cardiovascular problems, muscle or bone problems, cancer, and so forth, three-fourths of disabled beneficiaries reported they had three or more health problems. Over one-third of the disabled beneficiaries had had a heart attack or stroke (see table 1).

Table 1: Health Status of Disabled Beneficiaries (1982)

<u>Health status/indicators</u>	<u>No.</u>	<u>Percent</u>
Death or recovery:		
Disabled beneficiaries represented by the survey	224,874	100
Died as of		
Dec. 1983	10,417	5
Dec. 1984	19,357	9
Jan. 1986	28,157	13
Recovered as of		
Dec. 1982	11,874	5
Jan. 1986	15,330	7
Selected measures of health:		
Total survey population	224,874	100
Unable to do work at all	193,398	86
Bedridden	29,556	13
Wheelchair-bound	22,832	10
Had a heart attack or stroke	81,026	36
Had three or more health conditions	167,938	75
Health conditions: ^a		
Cardiovascular problems	135,656	60
Muscle or bone problems	141,699	63
Stiffness/deformity of back/limbs	104,817	47
Digestive problems	82,133	37
Emotional/mental problems	76,565	34
Blindness or serious sight problems	62,336	28
Respiratory problems	63,696	29
Deafness or serious hearing problems	42,763	19
Nervous system problems	26,590	12
Paralysis	18,758	8
Cancer/tumor/growth	18,518	8
Amputation of limb	5,788	3
Average no. of problems: 4		

^aRespondents could have more than one health condition and be included in more than one category.

Health Insurance Coverage

Medicare coverage is available to social security disability recipients after they have been entitled to disability benefits for 2 years (Medicare is a federal health insurance program for people 65 and older and certain disabled people). There are two components to this coverage:

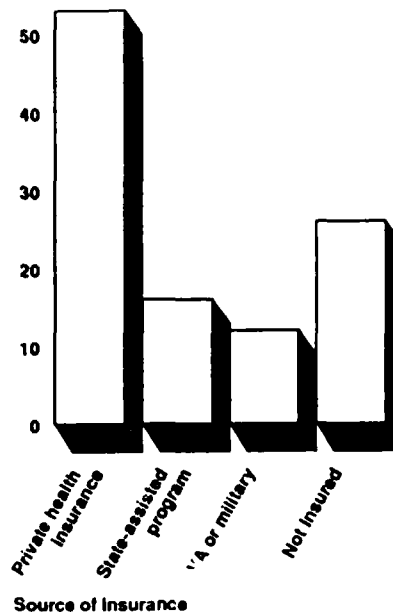
- hospital insurance, which helps pay the cost for inpatient and follow-up care and is financed through the social security tax, and
- medical insurance, which pays such costs as outpatient and physician services and is financed from general revenues and monthly premiums paid by enrollees.

Until eligible for Medicare, disabled beneficiaries are responsible for paying for medical expenses either out of pocket or through private health plans or other state or federally assisted health insurance programs.

In 1982, about one-fourth of the disabled beneficiaries reported that, aside from Medicare, they had no health insurance coverage. Slightly over half of the disabled beneficiaries had private health insurance, about 16 percent received state assistance (Medicaid), and 12 percent received veterans' or military benefits for medical care (see fig. 4).

Figure 4: Sources of Beneficiaries' Health Insurance (Non-Medicare) (1982)

Percent of Disabled Beneficiaries



Functional Limitations

Most disabled beneficiaries reported difficulty in performing one or more activities essential for normal daily functioning. For example, over one-third of disabled beneficiaries were unable to sit for 2 hours, and over 60 percent were unable to stand for 2 hours. Almost half of the disabled beneficiaries were unable to walk two or three blocks. Overall, three-fourths of the disabled beneficiaries were classified as having severe functional limitations,⁵ and only 4 percent reported no limitation. The degree of functional limitation appeared to increase with age. The young disabled had the least degree of functional limitation: slightly under half of those under age 35 had severe limitations, but over three-fourths of disabled beneficiaries age 45 and above had severe limitations (see table 2).

⁵In our analysis, a respondent was classified as having a severe functional limitation if he/she was totally unable to perform at least one of the essential daily activities listed.

Table 2: Functional Limitations of Disabled Beneficiaries (1982)

<u>Functional activity</u>	<u>Age (years)</u>			<u>Total</u>
	<u>18-34</u>	<u>35-44</u>	<u>45+^a</u>	
Total percent	100	100	100	100
Degree of limitation:				
None	19	7	2	4
Slight	15	11	7	8
Moderate	17	14	11	12
Severe	48	67	79	75
Unknown	1	1	1	1
Percent unable to				
Stand for 2 hours	38	57	67	63
Walk 2 or 3 blocks	31	47	52	49
Climb 1 flight of stairs	26	39	43	41
Stoop/kneel	28	40	44	42
Sit for 2 hours	27	38	38	37
Lift or carry 10-lb. object	24	36	37	35
Reach over head	22	30	32	31
Grasp things with fingers	12	21	17	17

^aBecause there was no significant difference in the degree of functional limitation reported by respondents age 45-54 and 55-64, we combined them into one age-group category.

Extent of Work Limitations

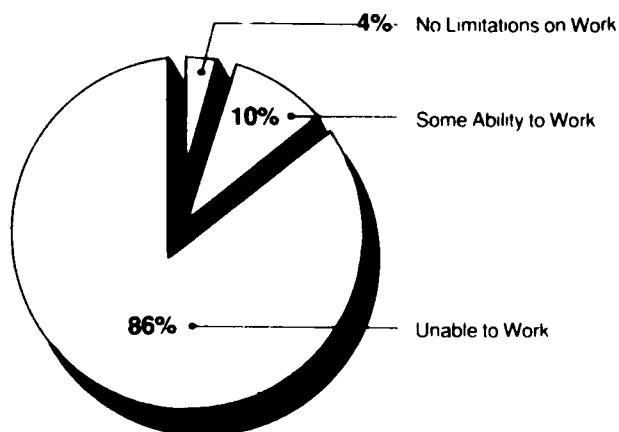
One major policy issue in the disability program concerns the likelihood of disabled beneficiaries returning to work. To encourage beneficiaries to do so, the program allows them a trial period during which they may test their ability to work and still receive benefits. At the end of a 9-month trial work period, the case is reviewed to see if the person can engage in substantial gainful activity. If so, benefits will cease after 3 more months. Benefits will continue if the individual cannot successfully work. Additionally, SSA provides vocational rehabilitation services to certain disabled beneficiaries.

Only a small percentage of disabled beneficiaries ever return to work, SSA records indicated. To examine the factors that relate to work capabilities, the 1982 survey asked many questions concerning work limitations and expectations of disabled beneficiaries. Nearly all disabled beneficiaries (96 percent) reported being severely limited in the kind or the amount of work they could do for pay. In fact, about 86 percent said they were unable to do any work. Nor did most disabled beneficiaries expect improvement in their work limitations (see fig. 5). The findings are not surprising considering the severity of the disabled beneficiaries' health conditions and their functional limitations.

Younger disabled beneficiaries (those under age 35) were more likely than their older counterparts (those age 45 and over) to report that their health did not limit the kind or amount of work they could do. They were also more likely to expect improvement in their health and less likely to report that they were unable to work altogether (see table 3).

Figure 5: Extent of Disabled Beneficiaries' Disabilities and Their Expectations for Improvement (1982)

Extent of Work Limitations



Expectations of Improvement

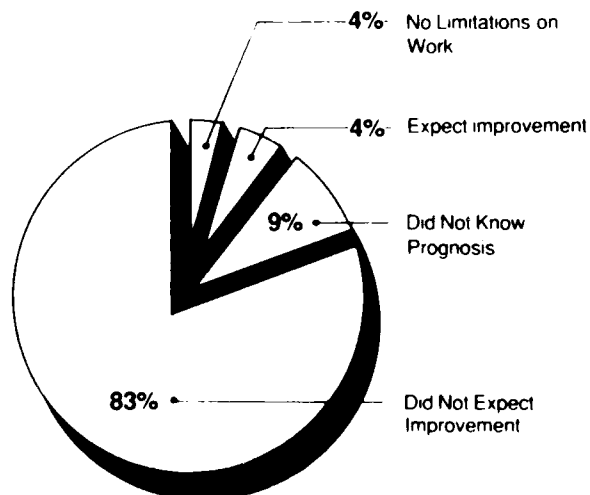


Table 3: Work Limitations, by Age Group (1982)

<u>Work limitation</u>	<u>Percent with limitations, by age group</u>		
	<u>18-34</u>	<u>35-44</u>	<u>45+</u>
Total percent	100	100	100
Extent of limitation:			
None	11	6	3
Unable to work altogether	61	79	90
Some ability to work	<u>28</u>	<u>15</u>	<u>7</u>
Limited to part-time	13	8	5
Able to work full-time	15	7	2
Expect improvement:			
Yes	10	6	2
No	63	75	87
Don't know	16	13	8
No limitation	11	6	3

FINANCIAL WELL-BEING OF DISABLED BENEFICIARIES

Comparative Monthly Income Levels

How well does the social security disability program meet the financial needs of beneficiaries? What are the economic conditions of disabled beneficiaries, and how do they compare with retirees? To answer these questions, the 1982 survey gathered detailed information on income sources and asset holdings of disabled and retired beneficiaries and their spouses.⁶

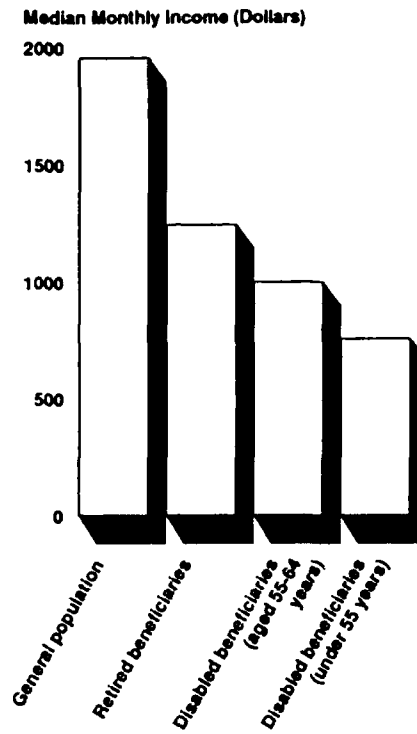
In 1982, disabled beneficiaries had median monthly incomes of about \$750 if they were under 55 years of age, survey results showed, and just a little under \$1,000 if they were age 55-64. These income levels were significantly lower than those of the general population and of retired beneficiaries (see fig. 6).

Disabled beneficiaries' income levels were lower than retirees' even though the social security disability program is not means-tested and the formula for computing benefit amounts is the same for retired and disabled beneficiaries. Benefits are based on the beneficiary's average monthly earnings prior to retirement or the onset of disability, regardless of income and asset levels. There are at least two possible explanations for the relatively lower income levels of the disabled workers:

- Many had had their careers cut short (or had their earnings gradually decreased through long-term illnesses), and thus had not reached their full earnings potential.
- They had a lower participation in the managerial and professional occupations, which traditionally are associated with higher wages.

⁶The survey asked detailed questions about sources and amounts of income received by the beneficiaries and their spouses. Missing data (nonresponses) on critical income and income-related data were imputed through a number of imputation techniques. Income data in this analysis are based on self-reported/imputed data from the survey. Neither SSA nor GAO independently verified the accuracy of income data.

Figure 6: Median Monthly Income of Disabled Beneficiaries Compared With the General Population and Retired Beneficiaries (1982)

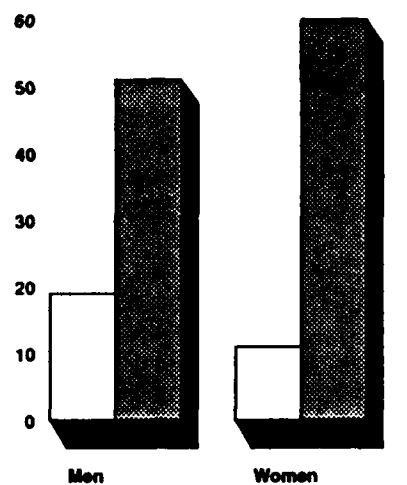


Because of their lower income levels, a significant percentage of disabled beneficiaries had income below the poverty level. For example, according to Bureau of the Census data, in 1982 the poverty levels for an individual under age 65 and for a family of four were \$5,019 and \$9,862 per year, respectively (or \$418 and \$822 per month). Using the poverty threshold for each family size as a measure, the proportion of disabled beneficiaries who reported having income below the poverty threshold was about 17 percent for married and 55 percent for unmarried beneficiaries.⁷ Further, this distribution holds true for both men and women, with unmarried women having the highest percentage living below the poverty level (see fig. 7).

⁷To determine the numbers and percentages of people having income below the poverty threshold, we used the Bureau of the Census's household and family definition to first classify disabled beneficiaries by family size and then compare their income with the poverty threshold for their size. Because in the survey the incomes of family members other than spouse are not always reported and there may be some other underreporting of income, the income data may be understated. As a result, the percentage of disabled beneficiaries having income below the poverty threshold may be overstated.

Figure 7: Disabled Beneficiaries in Poverty by Marital Status and Sex (1982)

70 Percent of Disabled Beneficiaries in Poverty



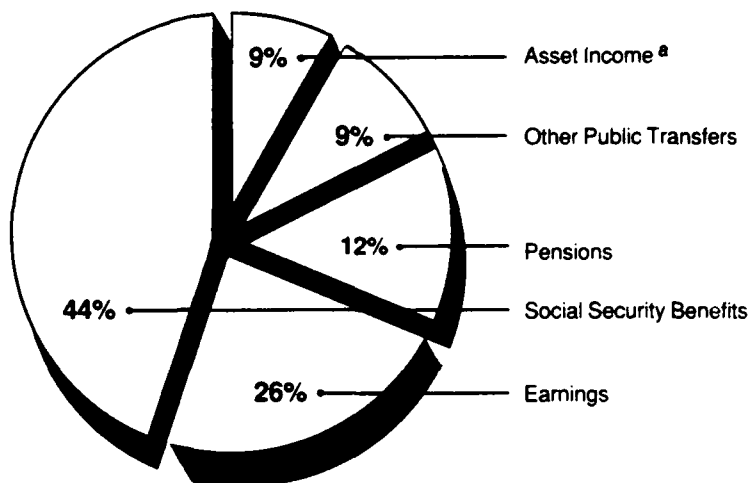
Married disabled beneficiaries
Unmarried disabled beneficiaries

Sources of Income

Social security benefits constituted the single most important source of income (44 percent of total) for disabled beneficiaries and their families in 1982. Their other significant sources of income included earnings, pensions, and assets (see fig. 8). At the time of the interviews, 94 percent of disabled beneficiaries were receiving social security benefits. Those who recovered before the survey interviews constituted most of the 6 percent not receiving benefits (see table 4).

Married beneficiaries were twice as likely to receive pension income and to have income from assets (also see table 4). They were also much more likely to have income from earnings (46 percent versus 7 percent for the unmarried). Unmarried beneficiaries were more likely to receive income from welfare and other in-kind benefits. For example, 19 percent of unmarried disabled beneficiaries participated in the Supplemental Security Income program, which provides benefits to needy aged, blind, or disabled people, and 18 percent received food stamps.

**Figure 8: Disabled Beneficiaries'
Sources of Income (1982)**



^a Does not include imputed value of an owned home.

Table 4: Disabled Beneficiaries' Sources of Income, by Marital Status (1982)

Source of income	Percent of beneficiaries receiving income		
	Married	Unmarried	Total
Social security benefits	95	93	94
Pensions	40	20	33
Asset income	60	33	51
Earnings	46	7	33
Other cash benefits:			
Veterans' benefits	10	6	9
Black lung benefits	1	a	1
Unemployment compensation	2	a	2
Workers' compensation	3	2	2
Supplemental Security Income	4	19	9
State and local welfare, including Aid to Families With Dependent Children	2	3	2
In-kind benefits:			
Public housing or rent subsidy	3	11	5
Energy assistance	7	14	9
Food stamps	7	18	11

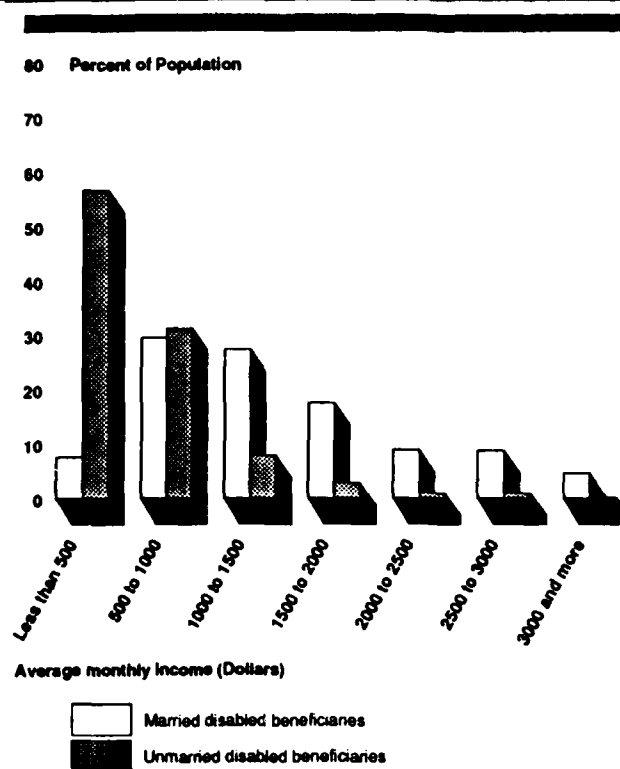
^aLess than 1 percent.

Effect of Marital Status on Income Levels

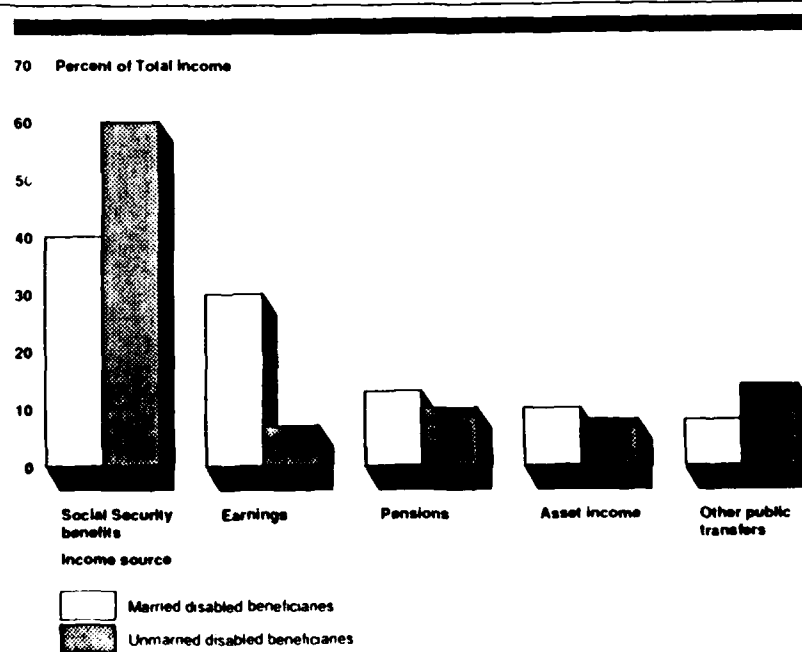
Married beneficiaries were much better off than their unmarried counterparts in 1982, with median monthly family incomes of \$1,213 and \$462, respectively. Almost 90 percent of unmarried beneficiaries reported less than \$1,000 monthly income compared with less than 40 percent for married beneficiaries. Overall, over half of the disabled beneficiaries had an average family income of under \$1,000 per month, and about one-fourth had an average family income of under \$500 per month. Married beneficiaries were under this latter amount in 8 percent of cases, while 57 percent of unmarried beneficiaries were in this category (see fig. 9).

That married beneficiaries were better off financially was primarily due to the presence of earnings from the nondisabled spouse. As shown in figure 10, aside from social security benefits (which accounted for 40 percent of married beneficiaries' total income), married beneficiaries also received a substantial portion of their total income from earnings. In fact, earnings were the second most significant source of income (next to social security benefits) for the married beneficiaries, accounting for 30 percent of their total income. But earnings accounted for only about 7 percent of total income for unmarried disabled beneficiaries. Unmarried beneficiaries relied more heavily than did married on social security benefits (60 versus 40 percent) and were more likely to receive benefits from welfare and other public transfers.

**Figure 9: Distribution of Income
Between Married and Unmarried
Beneficiaries (1982)**



**Figure 10: Share of Income, by Married
and Unmarried Beneficiaries (1982)**



Asset Holdings

About three out of four disabled beneficiaries reported they owned some type of financial asset, such as savings, checking, or credit union accounts. Their reported value was, however, quite small. For those who had such assets, the median value for savings/checking/credit union accounts combined was \$1,100 for the married and \$300 for the unmarried. Home ownership was the most significant asset holding of most disabled beneficiaries. Almost two-thirds of disabled beneficiaries owned their homes, and home equity represented most of their reported wealth (see table 5).

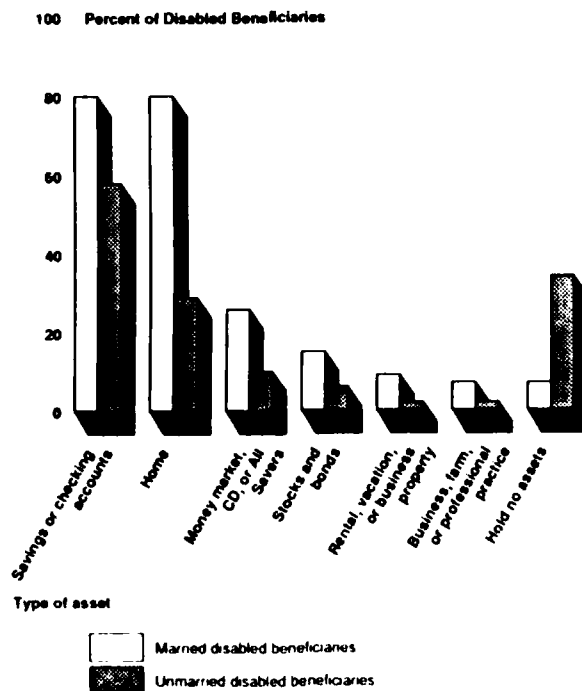
Married beneficiaries were more likely than unmarried beneficiaries to own assets in each category--more than double the percentage of ownership in almost all categories (see fig. 11); their asset values were also considerably higher. For example, about 80 percent of married beneficiaries reported that they owned their homes, and their median home equity was \$33,000. This contrasts with 29-percent home ownership with a median equity of \$24,000 reported by unmarried beneficiaries. About 7 percent of married beneficiaries said they did not own homes or hold any other assets, while over one-third of unmarried beneficiaries did not have any assets (see fig. 11). Overall, median net worth for unmarried beneficiaries who owned assets (excluding home equity) was \$400; for the married, it was \$3,500 (see table 5).

Table 5: Comparative Assets of Married and Unmarried Disabled Beneficiaries (1982)

Asset type	Median value of asset owned by			Percent owning assets
	Married beneficiary	Unmarried beneficiary	Total	
Savings, checking, or credit union account	\$ 1,100	\$ 300	\$ 785	73
Money market, CD, or all-savers account	13,600	10,000	13,000	20
Stocks and bonds	3,000	1,800	2,600	12
Rental, vacation, or business property	20,000	10,500	17,000	7
Business, farm, or professional practice	24,000	3,600	20,500	5
Own home (equity)	33,000	24,000	30,000	63
Median net worth, excluding home ^a	3,500	400	1,778	
Median net worth, including home ^a	35,360	3,500	26,255	

^aMedian net worth of those who owned at least one asset type excluding (or including) home equity.

Figure 11: Types of Assets Held by Disabled Beneficiaries (1982)



Comparative Wealth of Disabled and Retired Beneficiaries

Compared with retirees, the disabled beneficiaries were worse off, in terms of both asset ownership and the value of their net worth. The difference in asset holdings becomes even more significant when the age difference of the disabled population is considered. For example, when home value is excluded, retirees were worth over \$14,000 compared with about \$1,100 for disabled beneficiaries age 55-64, and only about \$50 for disabled beneficiaries under 55. If home value was included, the difference between retired and disabled beneficiaries was still significant, with retired beneficiaries worth \$56,000, disabled beneficiaries age 55-64 worth about \$28,000, and disabled beneficiaries under age 55 worth \$4,000 (see table 6).

Several factors could have contributed to the relatively low asset holdings of disabled beneficiaries. The disabled, especially those age 55 and under, had their careers cut short (because of their health) and therefore did not have sufficient time to build up their asset holdings. In addition, many incurred extra medical expenses. As a result, not only did they not accumulate many assets but they may have had to use part or all of what they had accumulated to pay their living or medical expenses.

Table 6: Comparative Assets of Retired
and Disabled Beneficiaries (1982)

<u>Asset type</u>	<u>Percent of beneficiaries owning assets</u>		
	<u>Retired</u>	<u>Disabled</u>	
		<u>Age 55-64</u>	<u>Under 55</u>
Savings, checking, or credit union account	89	78	66
Money market, CD, or all-savers account	48	26	11
Stocks and bonds	25	14	9
Own home	79	71	51
Rental, vacation, or business property	11	7	5
Business, farm, or professional practice	11	5	5
Median net worth, excluding home ^a	\$14,100	\$1,114	\$54
Median net worth, including home ^a	\$56,000	\$28,100	\$4,000

^aMedian net worth of those who own at least one asset type.

1986 BENEFIT STATUS OF THE 1982
SURVEY POPULATION

Of the 5,198 disabled beneficiaries surveyed by SSA in 1982 (representing a population of 224,874 newly awarded disabled beneficiaries), some 63 percent were still receiving benefits in 1986. Just 7 percent had been terminated or suspended from the rolls, 17 percent had converted to social security retirement, and 13 percent had died. The vast majority of those terminated/suspended left the disability rolls because they were no longer disabled (medically recovered) or were deemed to have recovered. Periodically, SSA conducts continuing disability reviews of disability beneficiaries to determine if they continue to be eligible for benefits. Also, beneficiaries are required to notify SSA when they have recovered or returned to work. Benefits can be suspended for other reasons as well, such as refusing vocational rehabilitation.

Table 7: Status and Termination Reason
of Disabled Beneficiaries Surveyed (1986)

<u>Status/reason for termination</u>	<u>No.</u>	<u>Percent</u>
Total disabled beneficiaries studied in 1982	224,874	100
Status as of January 1986:		
Died	28,413	13
Retired	39,338	17
Still-enrolled beneficiary	141,616	63
Terminated or suspended from rolls	15,330	7
Unidentified ^a	177	^b
Reason for termination:		
No longer disabled	13,742	90
Other	1,588	10

^aThe 1982 sample surveyed by SSA consisted of 5,198 disabled beneficiaries, who represented a total population of 224,874. In providing the current benefit status of the 5,198 surveyed, SSA was unable to identify 4, who represented a weighted total of 177 cases. As the number was insignificant, we did not take additional time to investigate the difference.

^bLess than 1.

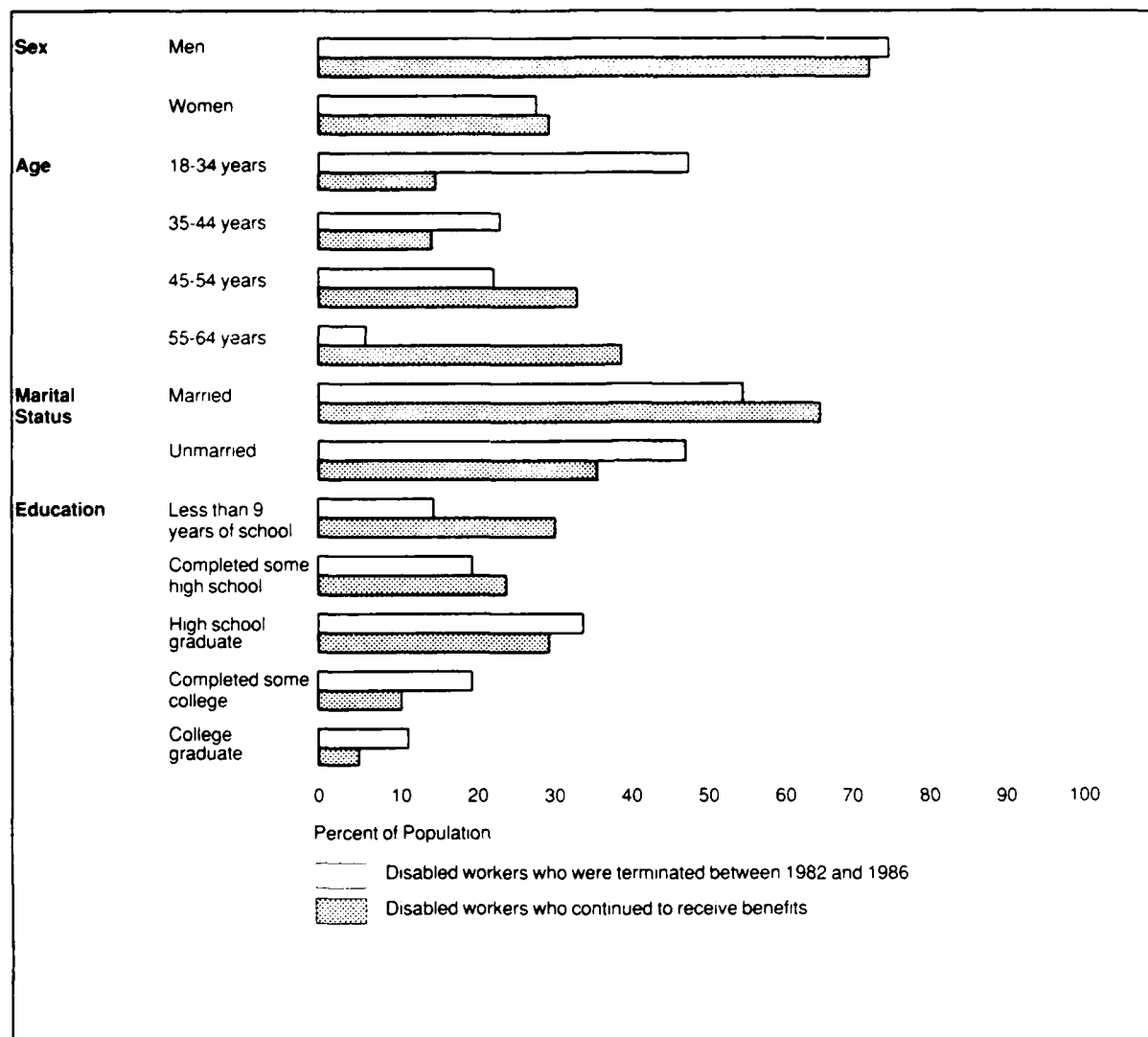
BENEFICIARIES WHO REMAINED ON ROLLS
COMPARED WITH THOSE TERMINATED

Age, Sex, Marital Status, and Education

The beneficiaries surveyed in 1982 who were terminated from the disability rolls by the time of our 1986 benefit status update were significantly younger (at the time of benefit entitlement) than those who remained on the rolls (see fig. 12). Of the terminated population, 70 percent were under age 45 at the time of their first benefit entitlement, compared with 28 percent for those who remained on the rolls. The median age of the terminated population was 36 versus 53 for those still enrolled.

The level of educational attainment for the terminated population was higher than for those who remained enrolled. Thirty percent of the terminated population had attended or graduated from college, and 13 percent had an 8th grade education or less (see fig. 12). In contrast, 16 percent of beneficiaries still enrolled had some college education, and 31 percent had an 8th grade or less education. Thus, education and younger age appear to be strongly associated with the incidence of beneficiaries leaving the disability rolls. This is consistent also with the program's eligibility requirements, which generally favor those of older age and less education.

Figure 12: Characteristics of Terminated Versus Still-Enrolled Beneficiaries at Time of Survey (1982)



Health Status

When SSA surveyed them in 1982, the beneficiaries who by 1986 were terminated from the rolls were in better health than were those who subsequently remained enrolled. In each of the health problem categories, a smaller percentage of the terminated population reported having problems, compared with still-enrolled beneficiaries. About half of the terminated population reported having three or more health conditions while three-fourths of those still on the rolls had three or more problems.

Similar results are shown in the degree of functional limitations of these two populations. Less than half of the terminated beneficiaries had severe limitations compared with over three-fourths for those still enrolled. Overall, 36 percent of the terminated population reported little or no difficulty performing all activities compared with about 12 percent for those still receiving benefits (see table 8).

Table 8: Health Status of Terminated and Still-Enrolled Beneficiaries at Time of Survey (1982)

<u>Health status at time of survey</u>	<u>Beneficiary population</u>	
	<u>Terminated</u>	<u>Still-enrolled</u>
Total percent	100	100
Health conditions (percent reporting):		
Cardiovascular problems	36	61
Muscle or bone problems	54	64
Stiffness or deformity of back/limbs	48	50
Digestive problems	27	38
Emotional/mental illness	25	39
Blindness or serious sight problems	17	30
Respiratory problems	14	27
Deafness or serious hearing problems	13	19
Nervous system problems	9	14
Three or more health problems	50	75
Average number of problems	2.7	4
Degree of functional limitation (percent reporting):		
None	17	4
Slight	20	7
Moderate	17	12
Severe	46	76
Percent unable to:		
Walk 2 or 3 blocks	31	50
Climb 1 flight of stairs	25	42
Stoop/crouch/kneel	29	43
Stand for 2 hours	38	65
Sit for 2 hours	25	39
Reach overhead	20	32
Lift or carry 10 lbs.	23	37
Percent able to perform all activities with no or only some degree of difficulty		
	36	12

Work Limitations

Of the beneficiaries surveyed in 1982, almost nine-tenths of those still enrolled in 1986 had reported total inability to work in 1982, while this was true for less than half of those terminated by 1986. About one-fourth of the terminated population had reported they were able to work full-time, and about one-sixth had reported no limit on work. In contrast, only 2 percent of the still-enrolled beneficiaries had reported in 1982 that they could work full-time, and 3 percent reported no limit on work.⁸ Also, the reported expectation of improvement was higher for the terminated group (see table 9).

⁸These presumably were responses from those who had recovered from their disability by the time of SSA's survey. As we note on page 10, included in the survey were a small number of disabled beneficiaries who had recovered and were no longer receiving disability benefits.

Table 9: Work Limitations of Terminated and Still-Enrolled Beneficiaries at Time of Survey (1982)

<u>Work limitations</u>	<u>Beneficiary population (percent)</u>	
	<u>Terminated</u>	<u>Still-enrolled</u>
Total	100	100
Reported ability to work:		
Unable to work altogether	43	88
No limit on work	18	3
Some ability to work:		
Limited to part-time	12	6
Able to work full-time	25	2
Expect improvement in 12 months:		
Yes	11	3
No	57	84
Don't know	14	10
No limitation	18	3

Income and Asset Levels

Compared with the beneficiaries still enrolled in 1986, the terminated population appeared to have a higher concentration of people in the higher ends of the income brackets (see fig. 13). For example, about 20 percent of the terminated population had monthly incomes of \$2,000 and above, while 12 percent of those still on the rolls had those monthly income levels. Overall, however, the median family incomes for both groups were quite similar.

As far as asset holdings were concerned, the terminated population appeared to be somewhat worse off than did those still receiving benefits. In almost all asset categories, the median value of assets owned by the terminated population was somewhat lower than those of the group still enrolled (see table 10). The median net worth, not counting their homes, was \$503 for the terminated population compared with \$1,050 for the beneficiaries still on the rolls. The lower asset holdings of the terminated population may be related in part to their younger age, assuming younger people have less time to accumulate net worth.

Figure 13: Income of Terminated and Still-Enrolled Beneficiaries at Time of Survey (1982)

40 Percent of Population

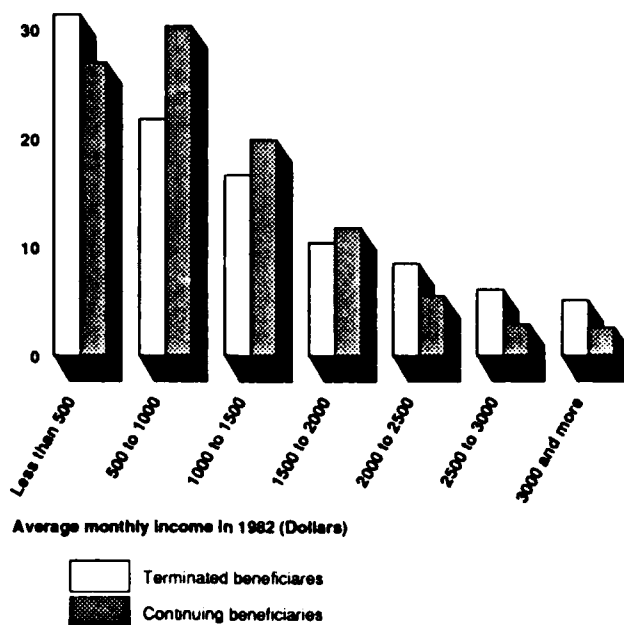


Table 10: Median Value of Assets Owned by Terminated and Still-Enrolled Beneficiaries at Time of Survey (1982)

Asset type	Median value of assets owned by	
	Terminated beneficiaries	Still-enrolled beneficiaries
Savings, checking, or credit union account	\$ 300	\$ 550
Money market, CD, or all-savers account	10,000	12,000
Stocks and bonds	150	2,400
Other real estate	6,000	18,500
Business, farm, or professional practice	15,000	10,000
Own home:		
Equity	25,000	29,000
Market value	45,000	40,000
Median net worth, excluding home ^a	503	1,050
Median net worth, including home ^a	13,745	23,700

^aMedian net worth of those who own at least one asset type excluding (or including) home equity.

COMMENTS FROM THE DEPARTMENT OF HEALTH AND HUMAN SERVICES

DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

NOV 19 1987

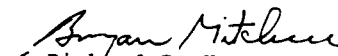
Mr. Richard L. Fogel
Assistant Comptroller General
U.S. General Accounting Office
Washington, D.C. 20548

Dear Mr. Fogel:

The Secretary asked that I respond to your request for the Department's comments on your draft report, "Social Security Disability: Demographic and Economic Characteristics of New Beneficiaries." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,


For Richard P. Kusserow
Inspector General

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES ON THE
GENERAL ACCOUNTING OFFICE'S DRAFT REPORT, "SOCIAL SECURITY
DISABILITY DEMOGRAPHIC AND ECONOMIC CHARACTERISTICS OF NEW
BENEFICIARIES"

General

By and large, this report presents descriptive information that is quite similar to the reports by the Social Security Administration on the New Beneficiary Survey data, as presented in the March 1987 Social Security Bulletin. Thus, we generally agree with the substance of the report. We do, however, have some technical comments which we believe need to be considered.

Technical Comments

Now on p. 14.

Page 7: GAO concludes that "Lower levels of educational attainment appear to be associated with the incidence of disability." Since illness increases with age, disability insurance beneficiaries (DIBs) are older than the general population. In addition, there has been a long-term trend toward more and more education. Therefore, one factor of the lower level of education of DIB's is simply a generational effect. We think this should be mentioned in the report. The only valid way to compare the DIB population with the general population would be to re-weight the age distribution in the general population.

Now on p. 15.

Page 8, Figure 3: To make a valid occupational comparison, the age would have to be standardized to re-weight the general population to the DIB population.

Now on pp. 24-25.

Page 18-19:

a. We recommend that GAO omit the comment about blue-collar workers having lower wages than others unless this can be substantiated on the basis of beneficiary data. Today many workers in nonblue-collar service jobs make considerably less than blue-collar factory workers. It may be that the income differentials of Figure 6 (page 20) are explained by the accumulation of savings and private pension credits as a worker progresses toward retirement.

Now on p. 25.

b. We suggest adding another possible factor to explain the lower income of DIB beneficiaries: "Many illnesses gradually affect a person's earnings before a person cannot work at all."

Now on p. 27.

Page 20, Figure 7: We recommend revising the title to read, "Percentage of Disabled Workers in Poverty, by Marital Status and Sex."

Now on p. 29.

Page 22:

a. Pie Chart: It is not clear whether the 9 percent asset

income includes the imputed rental value of an owned home. (Since this is a large factor, we recommend adding a footnote clarification.)

- b. Table 4: We recommend revising the title to read, "Percentage of Disability Insurance Beneficiaries Who Receive Income from Specified Sources, by Marital Status."
- c. Another table depicting Figure 8 according to marital status would be helpful to the reader.

Now on p. 34.

Page 27:

- a. We recommend revising the second sentence in the first paragraph to read, "If, by extrapolation, the age factors of the retired population were compared with the age factors of the disabled population, then the difference in asset holdings between the two groups would still be very important, although not so extreme as with the unadjusted populations."
- b. We also recommend adding at the end of the last sentence (first paragraph), "Also illness, even in the early stages, often curtails a worker's earning power."

Now on p. 37.

Page 30, Table 7: Based on our assumption that the Master Beneficiary Record (MBR) was the source for suspense information, we believe that the GAO finding that 5 percent of disabled workers were put into suspense for refusal to accept a program of vocational rehabilitation (VR) may be in error. This would be due to a misinterpretation of the benefit suspense field on the MBR. The field was once used to count refusals, but may have been modified to count more suspense actions than just refusal of VR services. GAO should check the actual claims folders to determine the exact reason for suspense.

Now on p. 39.

Page 32, Figure 12: We recommend revising the figure title to, "Comparison of Current Disability Insurance Beneficiaries and Those Whose Benefits Have Been Terminated, Various Characteristics."

Now on p. 39.

Page 32, Figure 12: The marital status distribution of disabled workers who were terminated between 1982 and 1986 sum to less than 100 percent, reflecting an error in one or both percents.

Now on p. 45.

Page 38, Figure 13: It should be stated in the title whether the current beneficiary population income figure includes the Social Security disability benefit.

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