The Social Security Disability Insurance (DI) program provided $119 billion in benefits to 8.3 million disabled workers in fiscal year 2011, accounting for nearly 18 percent of total Social Security spending. In addition, 2.0 million dependents of those workers received benefits in 2011. The Congressional Budget Office projects that in 2022, the DI program will provide benefits totaling $204 billion to over 12.3 million disabled workers and their dependents.

Who Receives Benefits from the DI Program?

Disabled Worker Beneficiaries
(Percentage of people ages 20 to 64)

Number of Beneficiaries in 2011

All Beneficiaries 10.3 million

- Male Disabled Workers 4.4 million
- Female Disabled Workers 3.9 million
- Dependent Children 1.8 million
- Dependent Spouses 0.2 million

Calendar Year

Fiscal Year
How Much Does the DI Program Cost?

Total Benefits for Disabled Workers
(Percentage of gross domestic product)

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Actual</th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td>1982</td>
<td>0.38</td>
<td></td>
</tr>
<tr>
<td>1987</td>
<td>0.43</td>
<td></td>
</tr>
<tr>
<td>1992</td>
<td>0.49</td>
<td></td>
</tr>
<tr>
<td>1997</td>
<td>0.55</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>0.82</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>0.79</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>0.78</td>
<td></td>
</tr>
<tr>
<td>2022</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total Benefit Outlays in 2011

- Total Outlays: $128 billion
  - Disabled Workers: $119 billion
  - Dependent Spouses: $0.6 billion
  - Dependent Children: $8.7 billion

(Fiscal year outlays are not available separately for men and women)
How Does the DI Program Work?

Eligibility

The DI program provides income to nonelderly adults who have worked in the past but have not worked in 5 months and are deemed unable to work now because of a medical condition that is expected to last more than a year or to result in death.

Initial Application

The initial disability determination is the job of the Disability Determination Services (DDS), which are agencies funded by the Social Security Administration and administered by the states. If a person’s application is denied at the DDS level, the applicant can either withdraw the application or appeal the decision and move to the next stage. On average, decisions on appeals beyond the Administrative Law Judge (ALJ) stage take more than 33 months.

<table>
<thead>
<tr>
<th>Number of DI applications in 2008</th>
<th>1,600,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of DI applications filed in 2008 that were allowed</td>
<td>900,000</td>
</tr>
<tr>
<td>Number of claims pending</td>
<td>100,000</td>
</tr>
</tbody>
</table>

Average Cumulative Processing Time

- About 4 months
- About 9 months
- About 27 months
- More than 33 months

How Does the DI Program Work?

- DDS (Initial Determination Stage)
  - 39% Allowed
  - 27% Appeal
  - 28% Exit

- Reconsideration (Appeal Stage)
  - 3% Allowed
  - 19% Appeal
  - 5% Exit

- Administrative Law Judge (Appeal Stage)
  - 14% Allowed
  - 5% Denied

- Higher Levels (Appeal Stage)
  - Fewer than 1% Allowed
  - 2% Pending (at the time data were collected)

Average Monthly Benefits

- $1,111 Average monthly benefit in May 2012
  - DI benefits, like all Social Security benefits, are tied to a worker’s past earnings through a progressive formula and are increased by an annual cost-of-living adjustment.

- $950 Estimated average monthly Medicare spending per disabled beneficiary in 2011
  - Disabled beneficiaries are eligible for health insurance through Medicare after a 2-year waiting period.

Exit

Each year about 8% of disabled beneficiaries leave the program for one of three reasons:

- 40% Die as a beneficiary
- 50% Move to the Social Security retirement program
- 10% Leave the program for work, program noncompliance, or other reasons
### Savings and Costs

Addressing the DI program's financial pressures will require an increase in revenues, a decrease in spending, or some combination of the two. CBO has evaluated a variety of options that policymakers or researchers have identified.

The graph below shows the estimated savings or costs in billions of dollars and as a percentage of total (projected) revenues or outlays in 2022. For more details on these policies, see Congressional Budget Office, *Policy Options for the Social Security Disability Insurance Program*, July 2012, [http://go.usa.gov/wfQ](http://go.usa.gov/wfQ).

### Possible Approaches to Changing the DI Program

#### Options That Reduce the Fiscal Imbalance in the DI Program

<table>
<thead>
<tr>
<th>Increase Program Revenue</th>
<th>Reduce the DI Benefit Formula</th>
<th>Change How DI Benefits Grow Over Time</th>
<th>Change Eligibility Rules</th>
<th>Change the Waiting Period for Benefits</th>
<th>Options That Provide Greater Support to DI Beneficiaries</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise the DI tax rate by 0.4 percentage points</td>
<td>$28 billion (18%)</td>
<td>$3 billion (1%)</td>
<td>$12 billion (6%)</td>
<td>$11 billion (6%)</td>
<td>Increase the COLA by 1 percentage point</td>
</tr>
<tr>
<td>Increase the amount of earnings that are taxable</td>
<td>$13 billion (8%)</td>
<td>$6 billion (3%)</td>
<td>$8 billion (4%)</td>
<td>Eliminate eligibility starting at age 62</td>
<td></td>
</tr>
<tr>
<td>$22 billion (11%)</td>
<td>Reduce all benefits by 15%</td>
<td>Reduce COLAs by using a different measure of inflation</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$6 billion (3%)</td>
<td>Reduce DI benefits for people age 53 and older</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$3 billion (1%)</td>
<td></td>
<td>Increase the age at which disability requirements become less restrictive</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$3 billion (1%)</td>
<td></td>
<td>Extend the waiting period for benefits from 5 months to 12 months</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$1 billion (1%)</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>

Note: COLA = cost-of-living adjustment.
In the past 15 years, the Netherlands has undergone multiple reforms that progressively expanded the responsibility of employers to assist and support employees with disabilities, increased the benefit system’s focus on work, reorganized the institutions offering social insurance, and privatized employment services. Those policies initially did little to reduce the number of disability beneficiaries, however, since about 2002, the number of workers claiming disability benefits has declined.

Reforms implemented in 2003 and 2007 sought to simplify the disability benefit system by introducing equal benefits for all beneficiaries, abolishing benefits for partial disabilities, focusing on individuals’ abilities rather than their disabilities, and supporting the reintegration of disabled workers into the labor force. However, the proportion of workers claiming disability benefits has not changed since those reforms were enacted.

Reforms enacted in 1998 focused on reducing workers’ long-term sick leave and disability benefits and expanding medical and vocational rehabilitation services. Those changes caused workers’ absenteeism and claims for disability benefits to decline. Other policies for reforming the disability insurance system were proposed in 2004 but not implemented.