

OIG

Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Evaluation Report

Impact of Increases in State
Unemployment Rates on the Social
Security Administration's Disability
Programs

A-07-12-11209 | July 2013

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: July 16, 2013

Refer To:

To: The Commissioner

From: Inspector General

Subject: Impact of Increases in State Unemployment Rates on the Social Security Administration's Disability Programs (A-07-12-11209)

The attached final report presents the results of our review. Our objective was to evaluate the impact increases in State unemployment rates had on the Social Security Administration's disability programs.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

Impact of Increases in State Unemployment Rates on the Social Security Administration's Disability Programs

A-07-12-11209



July 2013

Office of Audit Report Summary

Objective

To evaluate the impact increases in State unemployment rates had on the Social Security Administration's (SSA) disability programs.

Background

SSA has recently experienced a significant increase in initial applications for Title II and Title XVI disability benefits. In addition, the unemployment rate in the United States has increased substantially.

To review the impact of the most recent increases in unemployment rates on Title II and Title XVI disability applications, we identified the 10 States with the highest percentage increases in unemployment rates from Calendar Years (CY) 2007 to 2011. We analyzed Title II and Title XVI disability applications and allowance rates as well as other aspects of SSA's disability programs nationally and in Alabama, Arizona, California, Colorado, Florida, Hawaii, Idaho, Nevada, North Carolina, and Utah to evaluate the impact of increases in unemployment rates. We limited our analysis to applications with an indication the claimant had a work history because we believed these claimants would be most affected by changes in unemployment rates.

Our Findings

As unemployment rates increased, the number of disability applications for claimants with a work history also increased. Specifically, from CYs 2007 to 2011, the number of Title II and Title XVI disability applications for claimants with a work history increased 27 percent nationally. At the same time, allowance rates for these applications declined.

- In CY 2011, Title II and Title XVI disability claimants were waiting longer after stopping work to file for disability than they were waiting in CY 2007. This trend was consistent in the 10 States with the highest increases in unemployment rates from CYs 2007 to 2011.
- The costs for processing Title II and Title XVI disability applications for claimants with a work history increased more than \$26 million between CYs 2007 and 2011. Costs also increased in all 10 States with the highest increases in unemployment rates from CYs 2007 to 2011.
- Other factors, such as the aging of the baby-boomer population, increases in the size of the labor force, and changes in Federal disability policy also contributed to increases in the number of disability applications. However, identifying the effect of these and any other factors on increases in Title II and Title XVI disability applications was beyond the scope of this review.

Finally, according to SSA's reports, the number of Title II disabled worker beneficiaries increased by 21 percent from CYs 2007 to 2011. Additionally, the number of Title XVI recipients aged 18 to 64 increased 13 percent from CYs 2007 to 2011.

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ABBREVIATIONS

BLS	Bureau of Labor Statistics
CBO	Congressional Budget Office
C.F.R.	Code of Federal Regulations
CY	Calendar Year
DDS	Disability Determination Services
FY	Fiscal Year
OIG	Office of the Inspector General
SSA	Social Security Administration
U.S.C.	United States Code

OBJECTIVE

The objective of this review was to evaluate the impact increases in State unemployment rates had on the Social Security Administration's (SSA) disability programs.

BACKGROUND

SSA provides disability benefits under Titles II and XVI of the *Social Security Act*. Under Title II, SSA provides disability benefits to disabled workers and their families, certain disabled widow(er)s, and disabled adult children of workers who have died or retired.¹ Under Title XVI, SSA provides disability payments to adults and children determined to be eligible on the basis of income and resources.²

To receive benefits under either program, an individual must file an application with SSA. Once an individual files an application, an SSA field office determines whether the claimant meets the non-disability criteria for benefits.³ If the non-disability criteria are met, the field office generally forwards the claim to the disability determination services (DDS) in the State or other office with jurisdiction to make a disability determination.⁴ DDSs are located in each of the 50 States plus the District of Columbia and Puerto Rico.

From Fiscal Years (FY) 2007 to 2011, initial Title II disabled worker claims increased approximately 34 percent while initial Title XVI disability claims increased approximately 18 percent (see Table 1). In addition, the unemployment rate in the United States increased substantially—rising from 4.6 percent in Calendar Year (CY) 2007 to 8.9 percent in CY 2011.⁵

¹ *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.* Under certain circumstances, disabled divorced spouses of deceased workers are also entitled to benefits.

² *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

³ For Title II benefits, the non-disability criteria include such factors as the worker having sufficient earnings to acquire insured status. 20 C.F.R. §§ 404.110 through 404.133 and 20 C.F.R. § 404.315. For Title XVI payments, the non-disability criteria include such factors as citizenship, income, and resources. 20 C.F.R. § 416.202 and 20 C.F.R. §§ 416.1100 through 416.1266.

⁴ At the DDS, a disability examiner, using SSA's regulations, policies, and procedures, obtains the relevant medical evidence. The examiner then evaluates the case and determines whether the claimant is disabled under the Agency's criteria. As needed, the disability examiner will consult with a physician and/or psychologist. *Social Security Act* §§ 221(a)(1) and 1633(a), 42 U.S.C. §§ 421(a)(1) and 1383b(a). *See also* 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*

⁵ As of March 2013, the unemployment rate was 7.6 percent. We obtained unemployment rates from the Department of Labor's Bureau of Labor Statistics (BLS), <http://www.bls.gov/>.

Table 1: Unemployment Rates and Disability Applications Received

FY	United States Unemployment Rate (Based on CY) ⁶	Title II Disabled Worker Applications (Including Concurrent Title XVI Disability Applications) ⁷		Title XVI Disability Applications (Including Concurrent Title II Disabled Worker Applications) ⁷	
		Applications Received	Percentage Increase Since FY 2007	Applications Received	Percentage Increase Since FY 2007
2007	4.6	2,334,600		2,379,800	
2008	5.8	2,436,800	4	2,420,500	2
2009	9.3	2,902,000	24	2,741,900	15
2010	9.6	3,095,200	33	2,830,500	19
2011	8.9	3,124,400	34	2,806,700	18

According to then Commissioner of Social Security, Michael Astrue, since the beginning of the most recent recession in 2007 through May 2012, SSA received 600,000 more disability applications annually than the Agency anticipated based on actuarial projections. This occurred because “. . . economically desperate people apply [for disability benefits].” However, Commissioner Astrue asserted that SSA applied the same statutory standards to process applications as it had before the recession and did not “move the standard” by allowing a higher percentage of applications.⁸

The increases in unemployment rates and disability applications gained the attention of the Federal government, media, and the public. For example, the Congressional Budget Office (CBO) reported, “Many people who have been out of the labor force for extended periods find it difficult to return to work, and new beneficiaries rarely leave the [Title II disability] program to return to work simply because the economy has improved.”⁹ Additionally, in a letter to the

⁶ See note 5.

⁷ We obtained the number of applications from SSA’s *Annual Statistical Supplement to the Social Security Bulletin* for 2008 through 2012, which cover FYs 2007 through 2011 (Tables 2.F5 and 2.F6). These include all applications received by field offices, including technically denied applications that were never submitted to a DDS. The report does not provide the specific number of Title II applications from disabled widow(er)s and disabled adult children.

⁸ *The Social Security Administration: Is it Meeting its Responsibilities to Save Taxpayer Dollars and Serve the Public?*: Hearing before the Senate Finance Committee, 112th Cong. 4, 8 (2012) (Oral statement and testimony of Michael Astrue, Commissioner of the Social Security Administration)(located on LEXIS, as official Committee transcript was not available).

⁹ CBO cited in Chris Casteel, *Sen. Tom Coburn Worries Disability Program Being Used for Unemployment Benefits*, *The Oklahoman* (May 30, 2011), <http://newsok.com/sen.-tom-coburn-worries-disability-program-being-used-for-unemployment-benefits/article/3572701#ixzz1NwChUgdU>.

Inspector General, Senators Tom Coburn and Orrin Hatch stated, “Given the looming collapse of [the Title II disability program], it is imperative that disability claims are properly examined to ensure that only those who are lawfully entitled to benefits receive them.” The Senators also stated, “Individuals cannot be allowed to exploit [the Title II disability program], transforming it into a supplemental source of unemployment income with enormous and crippling costs to taxpayers.”¹⁰

Over the past 30 years, private institutions and Federal agencies, such as SSA, have conducted empirical studies examining the reasons for fluctuations in disability application rates over time and among States.¹¹ These studies have shown, in general, that during times of economic recessions, applications for disability benefits tend to increase.

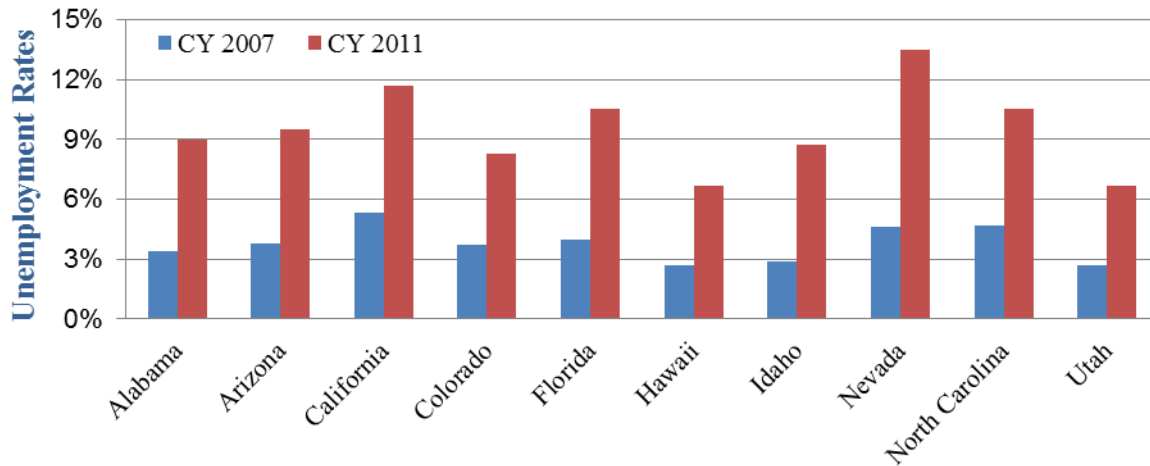
To review the impact of the most recent increases in unemployment rates on Title II and Title XVI disability applications, we identified the unemployment rates for each State and the District of Columbia from CYs 2007 to 2011. All 50 States and the District of Columbia had increases in unemployment rates during this period. Specifically, the unemployment rate for the United States rose from 4.6 percent in CY 2007 to 8.9 percent in CY 2011—a 93-percent increase.¹² For our review, we identified the 10 States with the highest percentage increases in unemployment rates (see Figure 1). For example, Idaho had a 200-percent increase in unemployment rates, from 2.9 percent in CY 2007 to 8.7 percent in CY 2011.

¹⁰ Letter dated May 20, 2011 to Patrick O’Carroll, Jr., Inspector General for SSA, from Senators Tom Coburn and Orrin G. Hatch.

¹¹ For example, see Kalman Rupp, *Factors Affecting Initial Disability Allowance Rates for the Disability Insurance and Supplemental Security Income Programs: The Role of the Demographic and Diagnostic Composition of Applicants and Local Labor Market Conditions*, Social Security Bulletin, Vol. 72, No. 4, p. 11, November 2012, and Norma B. Coe, Kelly Haverstick, Alicia H. Munnell, and Anthony Webb, *What Explains State Variation in SSDI Application Rates?* (Center for Retirement Research at Boston College Working Paper No. 2011-23), December 2011.

¹² See Appendix B for the unemployment rates in all 50 States and the District of Columbia.

Figure 1: States with the Highest Percentage Increases in Unemployment Rates¹³



Note: The United States' unemployment rate rose from 4.6 percent in CY 2007 to 8.9 percent in CY 2011.

We analyzed Title II and Title XVI disability applications, allowance rates, and other aspects of SSA's disability programs nationally and in these 10 States to evaluate the impact of increases in unemployment rates. We reviewed 10.9 million Title II and Title XVI disability applications filed in the United States during CYs 2007 through 2011 for claimants who indicated they had a work history on their applications.¹⁴ We limited our analysis to applications with an indication the claimant had a work history because we believed these claimants would be most affected by changes in unemployment rates.

RESULTS OF REVIEW

As unemployment rates increased, the number of disability applications for claimants with a work history also increased. Specifically, from CYs 2007 to 2011, the number of Title II and Title XVI disability applications for claimants with a work history increased 27 percent nationally. At the same time, allowance rates for these applications declined. In addition,

¹³ See note 5.

¹⁴ Specifically, we obtained a data extract from SSA's Disability Management Information System of disability applications filed by more than 15.2 million individuals during CYs 2007 through 2011. People who filed concurrent Title II and Title XVI disability claims were only counted once. We limited our review to the 10.9 million applications where the claimant indicated a stop work date in question 4C of the Disability Report – Adult (Form SSA-3368-BK). Question 4C asked “When did you stop working?” Of the 4.3 million individuals without a stop work date, we estimate more than half were applications for Title II disabled adult child or Title XVI child benefits and the remaining were applications for Title II or Title XVI claimants who never worked or had not stopped working at the time of the application. See Appendix A for a detailed discussion of the scope and methodology of our review.

- In CY 2011, Title II and Title XVI disability claimants with a work history were waiting longer after stopping work to file for disability than they were waiting in CY 2007. This trend was consistent in the 10 States with the highest increases in unemployment rates from CYs 2007 to 2011.
- The costs for processing Title II and Title XVI disability applications for claimants with a work history increased more than \$26 million between CYs 2007 and 2011. Costs also increased in all 10 States with the highest increases in unemployment rates from CYs 2007 to 2011.
- Other factors, such as the aging baby-boomer population, increases in the size of the labor force, and changes in Federal disability policy, also contributed to increases in the numbers of disability applications. However, identifying the effect of these and any other factors on increases in Title II and Title XVI disability applications was beyond the scope of this review.

Finally, according to SSA’s reports, the number of Title II disabled worker beneficiaries increased by 21 percent from CYs 2007 to 2011. Additionally, the number of Title XVI recipients aged 18 to 64 increased 13 percent from CYs 2007 to 2011.

Disability Applications

The increase in unemployment rates appears to have impacted the number of disability applications. From CYs 2007 through 2011, all 50 States and the District of Columbia had increases in Title II and Title XVI disability applications for claimants with a work history—increasing 27 percent nationwide (see Table 2). Further, the 10 States with the highest increases in unemployment rates had increases in disability application rates ranging from 24 to 53 percent.

Table 2: Title II and Title XVI Disability Applications for Claimants with a Work History in States with Highest Increases in Unemployment Rates¹⁵

State	2007	2011	Percentage Increase
Utah	7,948	12,121	53
Florida	111,220	162,675	46
Colorado	21,535	29,822	38
Nevada	13,317	18,190	37
Hawaii	5,322	7,257	36
Arizona	30,589	41,164	35
Idaho	7,984	10,496	31
North Carolina	67,093	87,132	30
Alabama	43,466	54,860	26
California	185,314	230,105	24
United States	1,874,404	2,378,202	27

¹⁵ We obtained the number of disability applications for claimants with a work history from a data extract of SSA’s Disability Management Information System (see Appendix A). These included applications received by field offices, including technically denied applications that were never submitted to a DDS. See Appendix C for the number of disability applications for all 50 States and the District of Columbia.

We could not determine from our data analysis the extent to which the increase in Title II and Title XVI disability applications was directly related to the increase in unemployment rates. Specifically, we could not determine how many individuals would have applied for disability despite the change in unemployment rates.

Allowance Rates

The rate at which SSA granted initial Title II and Title XVI disability applications decreased from approximately 36 percent in CY 2007 to 33 percent in CY 2011.¹⁶ According to Commissioner Astrue, “. . . the vast majority of [applications] get rejected because [SSA] adhere[s] to the statutory standard.”¹⁷

Nationwide, we observed a slight decline in allowance rates for Title II and Title XVI disability applications for claimants with a work history—from 32 percent in CY 2007 to 31 percent in CY 2011.¹⁸ Further, the allowance rate decreased in 8 of the 10 States with the highest increases in unemployment rates (see Figure 2).¹⁹ The allowance rate increases in the remaining two States were nominal, and their CY 2011 allowance rates were consistent with the national average of 31 percent. Therefore, the increases in unemployment rates and disability applications for the 10 States did not appear to have caused a larger percentage of claimants to be granted benefits based on their initial application.²⁰

¹⁶ We obtained the allowance rates from SSA’s custom *DDS Performance Management Report: Initial Claims Allowance Rates* for CYs 2007 and 2011.

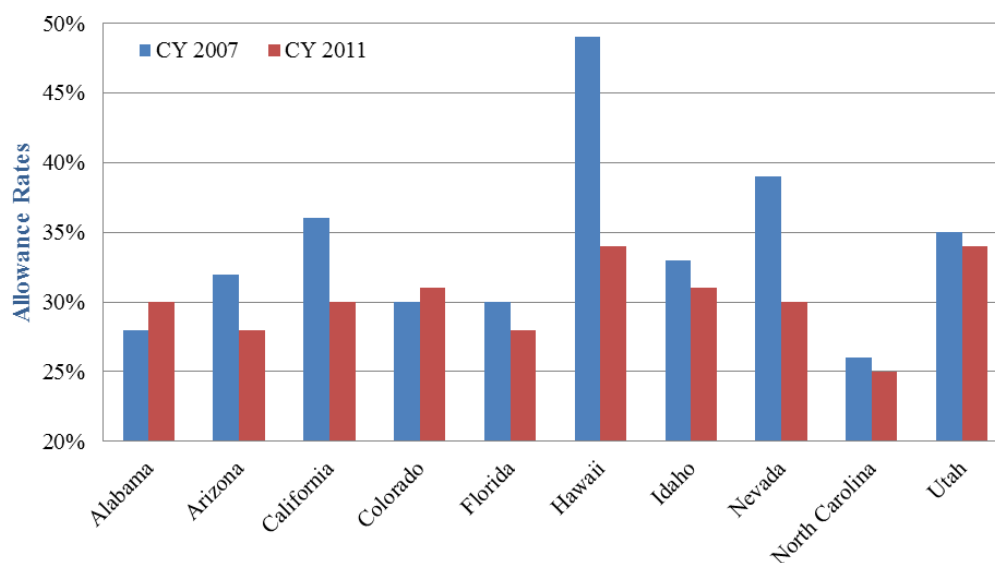
¹⁷ *The Social Security Administration: Is it Meeting its Responsibilities to Save Taxpayer Dollars and Serve the Public?: supra* note 8, at p. 8.

¹⁸ We calculated the initial allowance rates for claimants with a work history using a data extract from SSA’s Disability Management Information System (see Appendix A).

¹⁹ SSA has also reported that increases in State unemployment rates were generally associated with decreases in allowance rates. Kalman Rupp, *Factors Affecting Initial Disability Allowance Rates for the Disability Insurance and Supplemental Security Income Programs: The Role of the Demographic and Diagnostic Composition of Applicants and Local Labor Market Conditions*, Social Security Bulletin, Vol. 72, No. 4, November 2012, p. 32.

²⁰ We acknowledge that some applications denied at the initial DDS level will be allowed on appeal, especially at the Office of Disability Adjudication and Review hearing level. However, the allowance rate at the hearing level decreased from 62 percent in FY 2007 to 56 percent in FY 2011—according to SSA’s Office of Disability Adjudication and Review’s *Electronic Key Workload Indicator* reports for FYs 2007 (Page 8) and 2011 (Page 2).

Figure 2: Initial Allowance Rates for Title II and Title XVI Claimants with a Work History²¹



Note: The United States' average allowance rate for all Title II and Title XVI disability applications with a work history declined from 32 percent in CY 2007 to 31 percent in CY 2011.

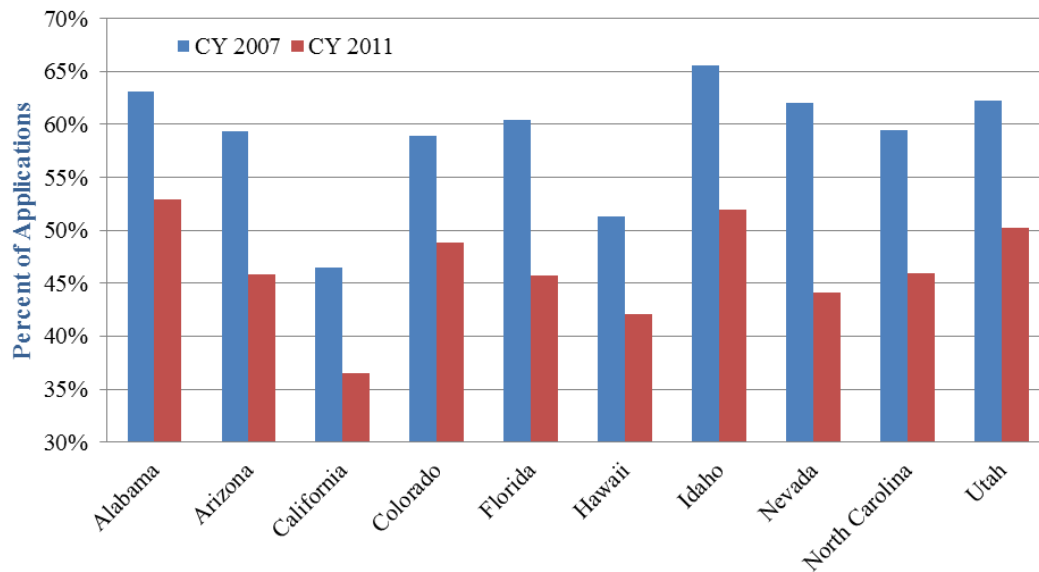
Length of Time from Stopping Work to Filing for Disability

In CY 2011, Title II and Title XVI disability claimants with a work history were waiting longer after stopping work to file for disability than they were waiting in CY 2007. Specifically, in CY 2007, almost 58 percent of Title II and Title XVI disability applications was filed within 1 year after the claimant stopped working. However, in CY 2011, only 47 percent of Title II and Title XVI disability applications was filed within 1 year after the claimant stopped working.²² Further, the percentage of Title II and Title XVI disability applications filed within 1 year after the claimant stopped working decreased in all 10 States with the highest increases in unemployment rates from CYs 2007 to 2011 (see Figure 3).

²¹ See note 18.

²² We calculated the percentage of disability applications for claimants with a work history filed within 1 year of stopping work to filing application using a data extract from SSA's Disability Management Information System (see Appendix A). Our analysis is based on the date the application was filed and the date the claimant indicated he/she last worked.

Figure 3: Percentage of Title II and Title XVI Disability Applications for Claimants with a Work History Filed Within 1 Year of Stopping Work to Filing Application²³



Note: The United States' percent of Title II and Title XVI disability applications filed within 1 year from stopping work to filing an application decreased from almost 58 percent in CY 2007 to 47 percent in CY 2011.

Recent studies suggest that extensions in available unemployment insurance benefits cause some claimants to delay their applications for disability benefits.²⁴ For example, one study concluded that individuals are less likely to file for Title II disability benefits when they are receiving extended unemployment insurance benefits.²⁵ Another study found that unemployed persons age 50 to 65 without access to \$5,000 are more likely to apply for Title II disability benefits as their unemployment insurance benefits are about to expire.²⁶

²³ See note 22.

²⁴ In July 2008, special emergency Federal unemployment benefits, known as Emergency Unemployment Compensation 2008, provided an additional 13 weeks of unemployment benefits. These additional benefits were authorized as part of the *Supplemental Appropriations Act, 2008*, Pub. L. No. 110-252, § 4002(b)(1) 122 Stat. 2323, 2354-2355 (2008). Subsequent legislation, the *Unemployment Compensation Extension Act of 2008*, Pub. L. No. 110-449, 122 Stat. 5014 (2008), and the *Worker, Homeownership, and Business Assistance Act of 2009*, Pub. L. No. 111-92, 123 Stat. 2984 (2009), extended the special emergency benefits up to an additional 40 weeks.

²⁵ Matthew S. Rutledge, *Disability Insurance: Does Extending Unemployment Benefits Help?* (Center for Retirement Research at Boston College, Research Brief Number 11-14), November 2011, pgs. 1 and 5.

²⁶ Alan Krueger and Andreas Mueller, as cited by the Executive Office of the President, *Unemployment Insurance Extensions and Reforms in the American Jobs Act*, December 2011, pgs. 9-10.

Disability Claims Processing Costs

The increase in Title II and Title XVI disability applications caused increases in the costs to process claims. Specifically, the cost to process Title II and Title XVI disability applications for claimants with a work history increased more than \$26 million, approximately 4 percent, from \$662 million in CY 2007 to \$688 million in CY 2011 (see Table 3). Accordingly, the 10 States with the highest increases in unemployment rates also experienced increased costs in processing Title II and Title XVI disability claims.

Table 3: Costs to Process Title II and Title XVI Disability Applications for Claimants with a Work History (Dollars in Millions)²⁷

State	2007 (in 2011 Dollars)	2011	Additional Cost
Florida	\$39.3	\$47.1	\$7.8
North Carolina	\$23.7	\$25.2	\$1.5
California	\$65.4	\$66.6	\$1.2
Arizona	\$10.8	\$11.9	\$1.1
Colorado	\$7.6	\$8.6	\$1.0
Utah	\$2.8	\$3.5	\$0.7
Alabama	\$15.3	\$15.9	\$0.6
Nevada	\$4.7	\$5.3	\$0.6
Idaho	\$2.8	\$3.0	\$0.2
Hawaii	\$1.9	\$2.1	\$0.2
United States	\$661.8	\$688.4	\$26.6

Disability Claims Backlogs

The increase in Title II and Title XVI disability applications has increased the backlog for initial disability claims. At the end of FY 2007, SSA had a pending level of more than 555,000 initial Title II and Title XVI disability claims. However, the pending level rose to more than

²⁷ We calculated costs by multiplying the average cost to process a Title II or Title XVI disability claim, according to SSA's Cost Analysis System SC3-SUM reports, by the number of Title II and Title XVI applications SSA received from claimants with a work history. To account for inflation, we converted CY 2007 payment amounts to constant 2011 dollars using the BLS' Consumer Price Index Inflation Calculator available at <http://data.bls.gov/cgi-bin/cpicalc.pl>. For example, in FY 2007, the average cost to process a disability claim was \$325.47. In Utah, we identified 7,948 disability applications for claimants with a work history in CY 2007 (see Table 2). Therefore, we determined that the total cost to process these applications was \$2,586,836, which is \$2,806,379 in constant 2011 dollars.

759,000 by the end of FY 2011.²⁸ In addition, the average processing time for an initial Title II and Title XVI disability claim was 109 days in FY 2011—an increase of 26 days over the processing time of 83 days in FY 2007.²⁹

Other Factors Affecting Disability Applications

In addition to increases in unemployment rates, there are other factors that affected the number of Title II and Title XVI disability applications SSA recently received. These other factors are not directly related to unemployment and have gradually impacted the number of disability applications over a span of several years. For example, SSA’s Chief Actuary identified the baby-boomer generation reaching its disability-prone years and increases in the size of the labor force as the main “drivers” of program growth for the Title II disability program.³⁰ In addition, changes in Federal policy have affected SSA’s disability programs. At the same time, demographics, health, and types of jobs available in each State can effect variations in disability application rates.³¹ Identifying the effect of these and any other factors on Title II and Title XVI disability was beyond the scope of this review.

The baby-boomer generation began reaching its disability-prone years in 1996.³² According to the CBO, baby boomers caused a sharp rise in the numbers of Title II disability applications and beneficiaries over the past several years.³³ According to Commissioner Astrue, SSA had anticipated an increase in Title II disability applications based on baby boomers reaching their disability-prone years.³⁴ The CBO study focused on Title II disability applications; however, the

²⁸ At the end of FY 2012, SSA’s initial claims pending level was 707,700. We obtained initial disability claims pending levels from SSA’s *FY 2012 Performance and Accountability Report*, Section 1.2e, p. 65.

²⁹ In FY 2012, SSA’s average processing time for an initial disability claim was 102 days. We obtained the average processing times for disability applications from SSA’s *FY 2012 Performance and Accountability Report*, Section 1.2a, p. 61 and *FY 2007 Performance and Accountability Report*, Section 1.1e, p. 57.

³⁰ *The Financing Challenges Facing the Social Security Disability Insurance Program; Hearing before the H. Committee on Ways and Means, Subcommittee on Social Security*, 113th Cong. (2013) (written statement of Stephen C. Goss, Chief Actuary, SSA), p. 4, March 14, 2013.

³¹ Norma B. Coe, Kelly Haverstick, Alicia H. Munnell, and Anthony Webb, *What Explains State Variation in SSDI Application Rates?* (Center for Retirement Research at Boston College Working Paper No. 2011-23), December 2011, p. 1.

³² The baby-boomer generation consists of individuals born between 1946 and 1964. Therefore, the first baby boomers reached age 50 in 1996. SSA gives special consideration to claimants age 50 or older in its disability evaluation process. See 20 C.F.R. §§ 404.1563 and 416.963; SSA, POMS, DI 25015.005 C (effective March 22, 2011).

³³ CBO, *Policy Options for the Social Security Disability Insurance Program*, July 2012, p. 7.

³⁴ *The Social Security Administration: Is it Meeting its Responsibilities to Save Taxpayer Dollars and Serve the Public?: supra* note 8, at p. 8.

baby-boomer generation reaching its disability-prone years most likely contributed to an increase in the number of Title XVI disability applications.

The CBO also attributes increases in Title II disability applications to the increased size of the labor force compared to the number of working-age people. Specifically, the CBO cited the increased participation of women in the labor force.³⁵ SSA's Chief Actuary also stated that the percentage of women insured for Title II disability benefits increased from 50 percent in 1980 to 68 percent in 2010, while there was a slight decrease for men, from 77 percent in 1980 to 74 percent in 2010.³⁶ Therefore, since there was an overall increase in the percentage of the population insured for Title II disability benefits, the number of applicants also increased.

According to the CBO, another factor contributing to the increase in Title II disability applications was the enactment of the *Social Security Disability Benefits Reform Act of 1984*.³⁷ This legislation changed some of the criteria used to make a disability determination.³⁸ According to the CBO, this change led to an expansion in the number of individuals on the Title II disability rolls for mental or musculoskeletal disorders, which are largely adjudicated using subjective criteria.³⁹ While the CBO focused its analysis on Title II disability benefits, the legislation affected disability programs for both Title II and Title XVI. We found mental and musculoskeletal disorders were 5 of the 10 primary diagnoses that had the highest percentage increases in Title II and Title XVI disability applications filed between CYs 2007 and 2011 (see Table 4).

³⁵ CBO, *supra* note 33, at pgs. 7, 8.

³⁶ Goss, *supra* note 30.

³⁷ See Pub. L. No. 98-460, 98 Stat. 1794 (1984).

³⁸ CBO, *supra* note 33, at p. 8.

³⁹ Id.

Table 4: Primary Diagnoses with the Highest Percentage Increases on Disability Applications for Claimants with a Work History⁴⁰

Primary Diagnosis	Body System	Number of Applications		Percentage Increase
		2007	2011	
Retinal Detachments and Defects	Special Senses and Speech	973	5,966	513
Other and Unspecified Arthropathies (Joint Disorders)	Musculoskeletal	31,462	98,596	213
Malignant Neoplasm of Gallbladder and Extrahepatic Bile Ducts	Malignant Neoplastic Diseases	348	1,086	212
Chronic Infections of the Lung, the Skin, or the Mucous Membranes	Respiratory and Skin Disorders	812	2,265	179
Attention Deficit Hyperactivity Disorder	Mental Disorders	3,075	7,265	136
Autism and Other Pervasive Developmental Disorders	Mental Disorders	1,289	3,030	135
Glaucoma	Special Senses and Speech	1,955	4,568	134
Inflammatory Bowel Disease	Digestive	3,473	7,572	118
Anxiety Related Disorders	Mental Disorders	31,585	65,643	108
Substance Addiction Disorders (Alcohol)	Mental Disorders	4,852	9,935	105

In addition, research has found that demographic, health, and types of jobs available are characteristics that affect variations in the number of Title II disability applications from State to State.⁴¹ For example, States with a higher proportion of people who were poor or smoked had higher Title II disability application rates.⁴² However, States with more service-oriented jobs had

⁴⁰ Applications with these primary impairments consistently increased between CYs 2007 and 2011. We obtained the number of primary diagnoses for Title II and Title XVI disability applications from a data extract of SSA's Disability Management Information System (see Appendix A). We limited our analysis to primary diagnoses alleged by claimants with a work history in 1,000 or more applications filed in any given year during CYs 2007 through 2011.

⁴¹ Coe, Haverstick, Munnell, and Webb, *supra* note 31.

⁴² *Id.* at pgs. 29 and 31.

lower Title II disability application rates.⁴³ The cited study focused on Title II disability applications; however, these same factors most likely contributed to an increase in the number of Title XVI disability applications.

Title II Disability Beneficiaries and Title XVI Recipients

Despite a decrease in allowance rates, the number of Title II disability beneficiaries continued growing because of the increase in Title II disability applications—increasing 19 percent from CYs 2007 to 2011, according to SSA reports.⁴⁴ Further, the number of Title II disabled worker beneficiaries (excluding their spouses and children) increased 21 percent from CYs 2007 to 2011 (see Table 5). The number of Title II disabled worker beneficiaries increased in all 10 States with the highest increases in unemployment rates.

Monthly benefits to all Title II disability beneficiaries also increased 22 percent from CYs 2007 to 2011,⁴⁵ while monthly benefits to Title II disabled worker beneficiaries increased 23 percent during the same period (see Table 5). Accordingly, monthly benefit payments to Title II disabled worker beneficiaries increased in all 10 States with the highest increases in unemployment rates.

⁴³ Id.

⁴⁴ According to SSA's *OASDI Beneficiaries by State and County* reports, in CY 2007, there were more than 8.70 million Title II disability beneficiaries living in the 50 States and the District of Columbia (see Table 2, p. 2, November 2008). In CY 2011, there were approximately 10.35 million Title II disability beneficiaries in the 50 States and the District of Columbia (see Table 2, p. 2, May 2012). These figures include all disabled worker beneficiaries as well as any eligible spouses and children.

⁴⁵ We obtained the monthly Title II benefit payment from SSA's *OASDI Beneficiaries by State and County* reports for CYs 2007 and 2011. However, to account for inflation, we converted CY 2007 payment amounts to constant 2011 dollars using the BLS' Consumer Price Index Inflation Calculator available at <http://data.bls.gov/cgi-bin/cpicalc.pl>. For example, in CY 2007, monthly benefit payments to all Title II disability beneficiaries were more than \$7.5 billion, which is approximately \$8.2 billion in constant 2011 dollars. In CY 2011, monthly Title II disability benefit payments were approximately \$10 billion.

Table 5: Title II Disabled Worker Beneficiaries and Monthly Title II Benefit Payments⁴⁶

State	Title II Disabled Worker Beneficiaries			Monthly Benefit Payments to Title II Disabled Worker Beneficiaries (Dollars in Millions)		
	2007	2011	Percentage Increase	2007 (in 2011 Dollars)	2011	Percentage Increase
Utah	34,726	44,698	29	\$38	\$49	29
Colorado	80,205	100,000	25	\$87	\$112	29
Florida	418,498	517,600	24	\$457	\$579	27
Idaho	32,867	40,570	23	\$35	\$44	26
Alabama	186,043	225,847	21	\$197	\$246	25
Nevada	49,006	58,995	20	\$57	\$69	21
North Carolina	270,824	321,185	19	\$291	\$355	22
Hawaii	19,938	23,221	16	\$22	\$27	23
California	593,492	690,007	16	\$658	\$785	19
Arizona	130,036	150,778	16	\$147	\$174	18
United States	6,937,804	8,379,922	21	\$7,581	\$9,331	23

The number of Title XVI recipients aged 64 or younger also continued growing—increasing 13 percent from CYs 2007 to 2011, according to SSA reports.⁴⁷ Further, the number of Title XVI recipients aged 18 to 64 increased 13 percent from CYs 2007 to 2011 (see Table 6). The number of Title XVI recipients aged 18 to 64 increased in all 10 States with the highest increases in unemployment rates.⁴⁸

⁴⁶ Id.

⁴⁷ According to SSA's *SSI Recipients by State and County* reports, in CY 2007, there were more than 5.34 million Title XVI disability recipients age 64 or younger in the 50 States and the District of Columbia (see Table 1, p. 1, May 2008). In CY 2011, there were more than 6.05 million Title XVI disability recipients age 64 or younger in the 50 States and the District of Columbia (see Table 1, p. 1, May 2012).

⁴⁸ This analysis included all Title XVI recipients aged 18 to 64, regardless of work history because SSA does not report the number of recipients aged 18 to 64 who had previously worked.

Monthly benefits to all Title XVI recipients aged 64 or younger also grew—increasing 11 percent from CYs 2007 to 2011, according to SSA reports.⁴⁹ Further, the monthly benefits to Title XVI recipients aged 18 to 64 increased 10 percent during the same period (see Table 6). Accordingly, monthly benefit payments to Title XVI recipients aged 18 to 64 increased in 9 of the 10 States with the highest increases in unemployment rates.

Table 6: Title XVI Recipients Aged 18 to 64 and Monthly Title XVI Payments⁵⁰

State	Title XVI Recipients Aged 18 to 64			Monthly Payments to Title XVI Recipients Aged 18 to 64 ⁵¹ (Dollars in Millions)		
	2007	2011	Percentage Increase	2007 (in 2011 Dollars)	2011	Percentage Increase or (Decrease)
Nevada	19,539	24,333	25	\$11	\$14	27
Utah	15,722	19,298	23	\$9	\$11	22
Florida	205,086	245,422	20	\$113	\$135	19
Colorado	36,680	44,176	20	\$21	\$25	19
Idaho	15,913	19,015	19	\$9	\$10	11
North Carolina	119,131	138,172	16	\$64	\$75	17
Hawaii	13,186	15,043	14	\$8	\$9	13
Alabama	103,548	115,595	12	\$56	\$62	11
Arizona	58,263	65,469	12	\$32	\$37	16
California	601,744	622,147	3	\$437	\$414	(5)
United States	4,221,920	4,777,010	13	\$2,485	\$2,744	10

⁴⁹ We obtained the monthly Title XVI payments from SSA's *SSI Recipients by State and County* reports for CYs 2007 and 2011. However, to account for inflation, we converted CY 2007 payment amounts to constant 2011 dollars using the BLS' Consumer Price Index Inflation Calculator available at <http://data.bls.gov/cgi-bin/cpicalc.pl>. For example, in CY 2007, monthly payments to all Title XVI disability recipients were more than \$2.95 billion, which is more than \$3.20 billion in constant 2011 dollars. In CY 2011, monthly payments to all Title XVI disability recipients were approximately \$3.56 billion.

⁵⁰ Id.

⁵¹ Includes Federally-administered State supplemental payments.

CONCLUSIONS

Since 2007, SSA has seen a higher increase in the number of Title II and Title XVI disability applications than it expected. However, during these years of increased unemployment and disability applications, allowance rates decreased on initial Title II and Title XVI disability applications for claimants with a work history. Despite decreases in initial allowance rates, the increases in applications caused a rise in the numbers of Title II disabled worker beneficiaries and Title XVI recipients aged 18 to 64, costs to process Title II and Title XVI applications, and initial disability claim backlogs. However, factors other than unemployment also contributed to increases in Title II and Title XVI disability applications, such as the baby-boomer generation reaching its disability-prone years, increases in the size of the labor force, and changes to Federal disability policy. Because of these other factors, we could not pinpoint the extent to which unemployment impacted the rising number of Title II and Title XVI disability applications.

AGENCY COMMENTS

SSA reviewed the draft report but did not provide any comments.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable laws and regulations and pertinent sections of the Program Operations Manual System related to Social Security’s disability programs.
- Researched prior reports by the Office of the Inspector General and Government Accountability Office.
- Reviewed reports and articles regarding unemployment rates and disability applications from the Congressional Budget Office, the Social Security Administration, and other popular and academic media sources.
- Obtained a data extract of 15,224,275 initial Title II and Title XVI disability applications from the Disability Management Information System for Calendar Years (CY) 2007 through 2011.¹ We only counted people who filed a concurrent Title II and Title XVI disability claim once.
- Analyzed 10,933,904 disability applications for claimants with indications of prior work.² To meet the objective of our review, we limited our analysis to disability applications for claimants who indicated prior work on the applications because we believed these claimants would be most affected by changes in unemployment. Specifically, we identified the following changes from CYs 2007 to 2011.
 - Increase in the number of applications received.
 - Change in the allowance rates.
 - Increase in the number of Disability Insurance beneficiaries.
 - Change in the percentage of applications received within 1 year of stopping work.
 - Additional costs incurred to process the additional applications.

¹ The data extract only included applications where SSA maintained an electronic disability folder.

² We identified claimants with indications of prior work based upon each claimant’s response to question 4C of the Disability Report – Adult (Form SSA-3368-BK). Specifically, question 4C asked, “When did you stop working?” Of the approximately 4.3 million claimants without a stop work date, we estimate more than half were for Title II disabled adult child or Title XVI child benefits and the remaining were applications for Title II or Title XVI claimants who had never worked or never stopped working.

- Obtained data from the Department of Labor’s Bureau of Labor Statistics regarding the unemployment rates for CYs 2007 through 2011 and identified the 10 States with the highest increases in unemployment rates.

The entity reviewed was the Office of Operations. Our work was conducted at the Office of Audit in Kansas City, Missouri, from December 2012 through February 2013. We determined that the data used in this report were sufficiently reliable given the review objective and its intended use. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*.

Appendix B – STATE UNEMPLOYMENT RATES, CALENDAR YEARS 2007 AND 2011

Between Calendar Years (CY) 2007 and 2011, the average unemployment rate in the United States increased. Further, the unemployment rate increased in all 50 States and the District of Columbia (see Table B-1). Idaho had the largest percentage increase in unemployment rates while North Dakota had the smallest percentage increase.

Table B-1: State Unemployment Rates¹

State	CY 2007	CY 2011	Percentage Increase	State	CY 2007	CY 2011	Percentage Increase
Idaho	2.9	8.7	200	Tennessee	4.9	9.2	88
Nevada	4.6	13.5	193	South Carolina	5.6	10.3	84
Alabama	3.4	9.0	165	Pennsylvania	4.3	7.9	84
Florida	4.0	10.5	163	Oregon	5.2	9.5	83
Arizona	3.8	9.5	150	New York	4.5	8.2	82
Hawaii	2.7	6.7	148	Texas	4.4	7.9	80
Utah	2.7	6.7	148	Mississippi	6.2	10.7	73
Colorado	3.7	8.3	124	Kentucky	5.6	9.5	70
North Carolina	4.7	10.5	123	Missouri	5.1	8.6	69
California	5.3	11.7	121	Massachusetts	4.5	7.4	64
New Mexico	3.4	7.4	118	Kansas	4.1	6.7	63
New Jersey	4.3	9.3	116	South Dakota	2.9	4.7	62
Wyoming	2.8	6.0	114	Maine	4.7	7.5	60
Rhode Island	5.3	11.3	113	Wisconsin	4.8	7.5	56
Delaware	3.5	7.3	109	Iowa	3.8	5.9	55
Georgia	4.7	9.8	109	New Hampshire	3.5	5.4	54
Virginia	3.0	6.2	107	Arkansas	5.2	8.0	54
Montana	3.3	6.8	106	Ohio	5.6	8.6	54
Washington	4.6	9.2	100	Nebraska	2.9	4.4	52
Indiana	4.6	9.0	96	Oklahoma	4.1	6.2	51
Maryland	3.6	7.0	94	Michigan	7.1	10.3	45
Illinois	5.1	9.8	92	Vermont	3.9	5.6	44
Louisiana	3.8	7.3	92	Minnesota	4.6	6.4	39
Connecticut	4.6	8.8	91	Alaska	6.1	7.6	25
West Virginia	4.2	8.0	90	North Dakota	3.1	3.5	13
District of Columbia	5.4	10.2	89	United States	4.6	8.9	93

¹ We obtained unemployment rates from the Bureau of Labor Statistics (BLS) for CY 2007 in June 2011 and for CY 2011 in May 2012. As the BLS obtains more employment data, it updates and changes its published unemployment rates. Therefore, the rates in this table may not match the current rates published by the BLS.

Appendix C – DISABILITY APPLICATIONS FOR CLAIMANTS WITH A WORK HISTORY, CALENDAR YEARS 2007 AND 2011

Between Calendar Years (CY) 2007 and 2011, the number of Title II and Title XVI disability applications for claimants with a work history increased nationally and in all 50 States and the District of Columbia (see Table C–1). Utah had the largest percentage increase in disability applications while North Dakota had the smallest percentage increase.

Table C–1: Title II and Title XVI Disability Applications for Claimants with a Work History¹

State	CY 2007	CY 2011	Percentage Increase	State	CY 2007	CY 2011	Percentage Increase
Utah	7,948	12,121	53	New Jersey	41,288	51,550	25
Florida	111,220	162,675	46	Rhode Island	6,954	8,640	24
Maryland	31,847	45,826	44	California	185,314	230,105	24
Georgia	61,983	87,934	42	Michigan	77,443	94,858	22
Colorado	21,535	29,822	38	Vermont	3,727	4,565	22
Nevada	13,317	18,190	37	Pennsylvania	90,303	110,510	22
Hawaii	5,322	7,257	36	South Dakota	3,673	4,488	22
Oregon	21,986	29,797	36	New Mexico	13,928	16,898	21
Arizona	30,589	41,164	35	Minnesota	24,982	30,239	21
New Hampshire	7,184	9,659	34	Mississippi	30,539	36,916	21
Washington	35,630	47,872	34	District of Columbia	5,212	6,289	21
Wyoming	2,360	3,151	34	New York	106,420	127,818	20
South Carolina	34,289	45,726	33	Alaska	3,673	4,402	20
Idaho	7,984	10,496	31	Maine	9,650	11,564	20
North Carolina	67,093	87,132	30	Iowa	15,236	18,247	20
Texas	134,263	174,166	30	Illinois	66,407	79,278	19
Indiana	42,929	55,494	29	Kansas	15,802	18,842	19
Delaware	5,375	6,946	29	Arkansas	27,884	33,087	19
Tennessee	51,963	66,570	28	Ohio	86,879	102,750	18
Louisiana	37,088	47,380	28	Kentucky	43,951	51,942	18
Montana	5,189	6,618	28	Massachusetts	38,502	44,646	16
Virginia	41,173	52,460	27	Nebraska	8,716	10,042	15
Alabama	43,466	54,860	26	Connecticut	18,317	20,772	13
Wisconsin	30,687	38,671	26	North Dakota	2,578	2,916	13
Oklahoma	27,807	34,906	26	West Virginia	20,306	21,600	6
Missouri	46,493	58,345	25	United States	1,874,404	2,378,202	27

¹ We obtained the number of disability applications for claimants with a work history from a data extract of the Social Security Administration’s Disability Management Information System (see Appendix A).

Appendix D – AGENCY COMMENTS

June 18, 2013

Subject: Audit No. 22013013 - OIG Draft Report, "Impact of Increases in State Unemployment Rates on the Social Security Administration's Disability Programs"

Steve,

Thank you for the opportunity to review the subject draft report. The report did not contain any recommendations. We have no comments to report.

If you have any questions, please let me know.

Tina M. Waddell

Appendix E – MAJOR CONTRIBUTORS

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