

Recent Trends in the Social Security Disability Insurance Program

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Earlier analysis documented the rapid growth of the Disability Insurance (DI) program from 1966 to 1975; this article discusses trends since 1975. Over the decade of the 1970's, the population insured for disability increased by 34 percent, and women as a proportion of the insured population rose from 32.4 percent in 1970 to 39.1 percent in 1980, reflecting the increase in female labor-force participation. Of disabled workers receiving benefits, the proportion that were women rose from 28.4 percent in 1970 to 32.4 percent in 1979. Although inflation caused total benefit costs to rise over the entire period, the number of DI beneficiaries began to decline in 1978. Disabled-worker awards reached a peak in 1975 and fell subsequently so that the 1969 and 1981 figures are approximately equal. Relative to 1970, the fraction of awards going to women increased, the share for persons aged 50-54 rose, and the proportion received by those aged 60-64 declined. Decreases in total awards, and hence recipients, stemmed primarily from higher rates of denial at both the initial application and the reconsideration stages. Higher denials were countered by substantial rises in the number of hearings and reversals by administrative law judges (ALJ's). In 1980, only 65 percent of all awards came from initial applications, while over a fourth resulted from ALJ reversals. In future years, recent legislative changes may be expected to curtail program expansion further.

In an article that appeared in the **Social Security Bulletin** 6 years ago, it was noted that

The number of beneficiaries and total expenditures under the DI program have grown significantly since 1966, when the last major liberalization of the disability definition took effect. During the period 1966-75, the number of persons receiving DI benefits increased more than 230 percent, rising from 1.9 million to 4.4 million. A decade ago, DI benefit payments of all types amounted to \$1.8 billion. By 1975, this figure had risen more than four and a half times, to \$8.4 billion. . . .¹

The rapid growth of disability insurance during recent years is the major program issue.²

The purpose of this article is to trace developments in the Disability Insurance (DI) program during the past 6 years and to contrast these developments with those for the period discussed in the first article. At the outset, it might be noted that the number of persons receiving DI benefits increased slowly from 4.4 million in 1975 to 4.9 million in 1978, and has since fallen by more than 400,000 in the past 3 years.

The tabulation below shows changes in the beneficiary population between 1975 and 1981. When the be-

Type of beneficiary	1975		1978		1981	
	Number (in thousands)	Average monthly benefit	Number (in thousands)	Average monthly benefit	Number (in thousands)	Average monthly benefit
Disabled workers and dependents	4,352	...	4,869	...	4,456	...
Disabled workers	2,489	\$226	2,880	\$288	2,777	\$413
Wives and husbands	453	67	492	86	428	122
Children	1,411	62	1,497	83	1,252	123

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¹ Mordechai E. Lando and Aaron Krute, "Disability Insurance: Program Issues and Research," **Social Security Bulletin**, October 1976, page 3.

² *Ibid.*, page 6.

gining and end of the period are compared, it can be seen that the number of disabled-worker beneficiaries grew by 11.6 percent, while there were decreases of 5.5 percent for spouses and 11.3 percent for children receiving benefits. The number of disabled-worker beneficiaries peaked in 1978 at 2,880,000 and then fell by 3.6 percent by December 1981.³ The number of dependent spouses receiving benefits reached a high of 494,000 in 1977 and has decreased by 13.4 percent since then. The number of dependent children receiving DI benefits peaked in 1977 at 1,525,000 and has decreased by 17.9 percent since then.

Despite the reduction in the number of beneficiaries, the cost of the program has continued to increase because average benefits rose due to increases in the contribution and benefit base and because of the indexing of benefits to the Consumer Price Index (CPI). Annual maximum taxable earnings rose from \$14,100 in 1975 to \$25,900 in 1980.⁴ DI cash benefit payments of all types doubled between 1975 and 1981, rising from \$8.4 billion to \$17.2 billion—an average annual percentage increase of 12.6 percent. This increase was not as rapid as that during the 1966–75 period, when DI cash benefit payments rose at an annual rate of 18.3 percent. The average monthly amount paid to disabled-worker beneficiaries rose by 83 percent between 1975 and 1981—from \$225.90 to \$413.15. In comparison, the CPI rose by only 69 percent, from 161.2 in 1975 to 272.3 in 1981 (1967 = 100).

This report begins with an analysis of changes in the size of the insured population, in the number of persons receiving benefits, and in the number of allowances made at various levels of the adjudicative process. A disabled-worker award is a favorable determination for monthly disability benefits. It may result from an initial determination (that is, an adjudication based on the initial application) or at the secondary or tertiary levels. The secondary level is a reconsideration by a State agency of a denied applicant. The tertiary level is a hearing by an administrative law judge of a reconsideration decision that affirmed the initial denial. A small number of awards result from decisions by the Appeals Council and the Federal courts.⁵

Legislative changes in the DI program have undoubtedly affected its rate of growth. For example, the 1972 Amendments to the Social Security Act increased the desirability of receiving DI benefits and should have

³ The highest monthly number of disabled-worker beneficiaries was 2,881,000 in July 1979.

⁴ Based on the 1972 legislation, as amended, cost-of-living increases in benefits have been paid effective each June since 1975. The increases were as follows: 1975—8 percent, 1976—6.4 percent, 1977—5.9 percent, 1978—6.5 percent, 1979—9.9 percent, 1980—14.3 percent, 1981—11.2 percent, and 1982—7.4 percent.

⁵ For greater detail on the various levels of DI adjudication, see "The Bellmon Report," *Social Security Bulletin*, May 1982, pages 3–27.

stimulated an increase in the number of applications and awards.⁶

Program Operations and Issues

Overall Trends

Table 1 illustrates the growth of the program over the past 16 years, from 1965 to 1981. The focus here is on trends during the periods 1970–75 and 1975–80. The former was a period of significant growth in the number of disabled workers receiving benefits while the latter was a period of stabilization.

The population insured for disability grew at approximately the same rate—15 percent—in both periods. In 1970, there were 72.4 million persons insured for disability. This number increased to 83.3 million in 1975 and is estimated to have reached 95.6 million in 1980. However, other program statistics behaved much differently over the periods. For example, after growing by 50 percent in the first period (peaking at 1.33 million in 1974), applications remained virtually stable in the second period. Thus, the figure for 1975—1,235,000—is not very different from the 1,264,000 applications received in 1980.

The net effect of all the various trends in program variables can be seen in the number of disabled workers with benefits in current-payment status—that is, those actually receiving benefits at the end of each calendar year. This number rose by two-thirds in the 1970–75 period, going from approximately 1.5 million in December 1970 to 2.5 million in December 1975. In December 1980, the corresponding figure was 2.9 million, or only 15 percent more than the 1975 figure.⁷

The number of disabled-worker beneficiaries per 100,000 persons insured for DI benefits is a better indicator of change because this statistic removes the effect of growth in the insured population. This number increased by about 45 percent between 1970 and 1975, going from 2,062 to 2,988 per 100,000. It increased slightly in 1976 and 1977 and then decreased during the next 3 years, producing a net effect of almost no change over the second 5-year period: The figure in December 1980 (2,993) was virtually the same as that in December 1975 (2,988). Preliminary estimates put the 1981 rate at 2,868.

Chart 1, which arranges the data on a logarithmic scale to permit the comparison of numbers of widely differing size, illustrates the relative rates of growth of the insured population and the number of disabled workers with benefits in current-payment status. Except for 1968—when the insured status requirements were re-

⁶ This legislation was enacted as Public Law 92-603. For a complete discussion of the law, see **1972 Amendments Chart Booklet: OASDI**, Social Security Administration, December 1972.

⁷ The highest year-end total was 2,880,000, in December 1978. By December 1981, as noted earlier, this figure had decreased by 100,000.

Table 1.—Growth in the disability insurance program, 1965–81

Year	Number of workers insured for disability (in millions) ¹	Disabled-worker applications		Disabled workers with benefits in current-payment status		Total cash benefits paid for disability (in billions)
		Number received (in thousands)	Number per 100,000 insured workers	Number (in thousands) ²	Number per 100,000 insured workers	
1965	53.3	529.3	993	988.1	1,854	\$1.6
1966	55.0	544.5	990	1,097.2	1,995	1.8
1967	55.7	573.2	1,029	1,193.1	2,142	1.9
1968	56.9	719.8	1,265	1,295.3	2,276	2.3
1969	³ 70.1	725.2	1,035	1,394.3	1,989	2.5
1970	72.4	869.8	1,201	1,492.9	2,062	3.1
1971	74.5	923.9	1,240	1,647.7	2,212	3.8
1972	76.1	947.5	1,245	1,832.9	2,409	4.5
1973	77.8	1,067.5	1,372	2,016.6	2,592	5.7
1974	80.4	1,331.2	1,656	2,236.9	2,782	6.9
1975	83.3	1,284.3	1,542	2,488.8	2,988	8.4
1976	85.3	1,228.8	1,441	2,670.2	3,130	10.0
1977	87.0	1,235.4	1,420	2,837.4	3,261	11.5
1978	89.4	1,184.8	1,325	2,879.8	3,221	12.5
1979	93.8	1,188.6	1,303	2,870.4	3,060	13.7
1980	⁴ 95.6	1,263.7	⁴ 1,322	2,861.3	2,993	15.4
1981	⁴ 96.8	⁴ 1,135.6	⁴ 1,173	2,776.5	⁴ 2,868	⁴ 17.2

¹ As of January 1st of calendar year.² At end of calendar year.³ The 1967 Amendments to the Social Security Act liberalized the insured sta-

tus requirements in case of disability onset before age 31.

⁴ Preliminary estimates.

taxed for younger workers—the rate of growth for disabled workers receiving benefits was much greater than the growth rate for insured workers during the entire period 1965–77. The reverse has been true in the past 3 years.

Although the insured population grew in 1975–80 and the number of applications and of workers receiving benefits remained relatively constant, initial determinations, initial allowances, and total awards all decreased, after having experienced rapid growth in 1970–75. The greatest decrease was in initial allowances per 100,000 insured workers (table 2). These numbered only 250,000 in 1980, the lowest figure since 1965, despite an increase of more than four-fifths in the insured population and increases of more than 100 percent in the number of applications and initial determinations during the 15-year period. The total number of awards in 1980—

390,000—was the lowest figure in a decade. (The preliminary figure for 1981—345,000—is the lowest since 1969.)

Table 3 also shows initial allowances and total awards expressed as a number per 100,000 insured workers. This approach adjusts for the natural growth to be anticipated as a result of increases in the insured population. Expressed this way, the rates grew less rapidly in the earlier period and declined more precipitously in the later period. There were 1,322 applications per 100,000 insured workers in 1980, much below the peak of 1,656 in 1974 (when the Supplemental Security Income (SSI) program was introduced) but still higher than that for any year before 1973.⁸ The initial allowance rate in 1980 of 266 per 100,000 insured workers was the lowest on record, while the rate for total awards—407 per 100,000 insured—was the second lowest in the history of the program. (The preliminary figure for 1981 was 357 awards per 100,000 insured, the lowest ever.)

In 1965–67, approximately half the initial determinations resulted in allowances. By 1978–80, however, the initial allowance rate had decreased to one-fourth. This decline was especially pronounced in the 1975–80 period, when the allowance rate dropped from 40 percent to 22 percent. Concomitant with the increase in the denial rate and the decrease in the number of initial allowances has been an increase in the number of awards made as a result of a reconsideration or hearing, and a sharp increase in their relative importance. As can be

Table 2.—Average annual percent change for selected program indicators, 1970–75 and 1975–80

Indicator	1970–75	1975–80
Insured workers	2.9	2.8
Applications	8.1	–.3
Applications per 100,000 insured workers	5.1	–2.6
Disabled workers with benefits in current-payment status	10.8	2.8
Disabled workers in current-payment status per 100,000 insured workers	7.7	.1
Initial determinations	9.8	–1.2
Initial allowances	8.9	–7.7
Initial allowances per 100,000 insured workers	5.9	–8.4
Awards	11.1	–5.7
Awards per 100,000 insured workers	8.0	–6.9

⁸ Approximately 1,136,000 applications for disability benefits were received in 1981. This figure amounted to about 1,173 applications for every 100,000 insured workers.

seen from table 3, initial allowances represented 92 percent of all awards in 1970, 83 percent in 1975, and 65 percent in 1980. As a result, allowances obtained after the initial level more than quadrupled in relative importance, going from 8 percent in 1970 to 35 percent in 1980.

The growing divergence between initial allowances and total awards is illustrated by chart 2, which presents data per 100,000 insured workers. While the two series follow approximately the same pattern, the distance between them has grown significantly. In 1975-77, while initial allowances were decreasing sharply, the awards series decreased only slightly (the slope of a logarithmic chart represents the percentage rate of change). The same relationship is apparent for 1979-80.

Workers Insured for Disability

Although the number of workers insured for disability grew by approximately the same proportion over the

two periods, interesting changes occurred in the internal distribution of the population at risk. The population was younger and contained relatively more women in 1980 than in 1970 (table 4). The proportion of persons insured for disability who were younger than age 45 increased from 63.5 percent in 1970 to 65.9 percent in 1975 and to 69.1 percent in 1980. (The large increase observed between 1965 and 1970 resulted from the 1968 liberalization in the insured requirements for young persons.) Similar changes occurred for both men and women, but the median age for insured men was more than 2 years higher than that for women. This change in the age structure of the population is traceable to the effect of the post World War II baby boom.

The number of insured men grew by 9.6 percent in the first period and by 8.5 percent in the second period. The respective proportions for insured women were 26.5 percent and 26.1 percent. As a result, the proportion of women in the insured population increased from 32.4

Chart 1. — Workers insured for disability and disabled workers with benefits in current-payment status, 1965-80

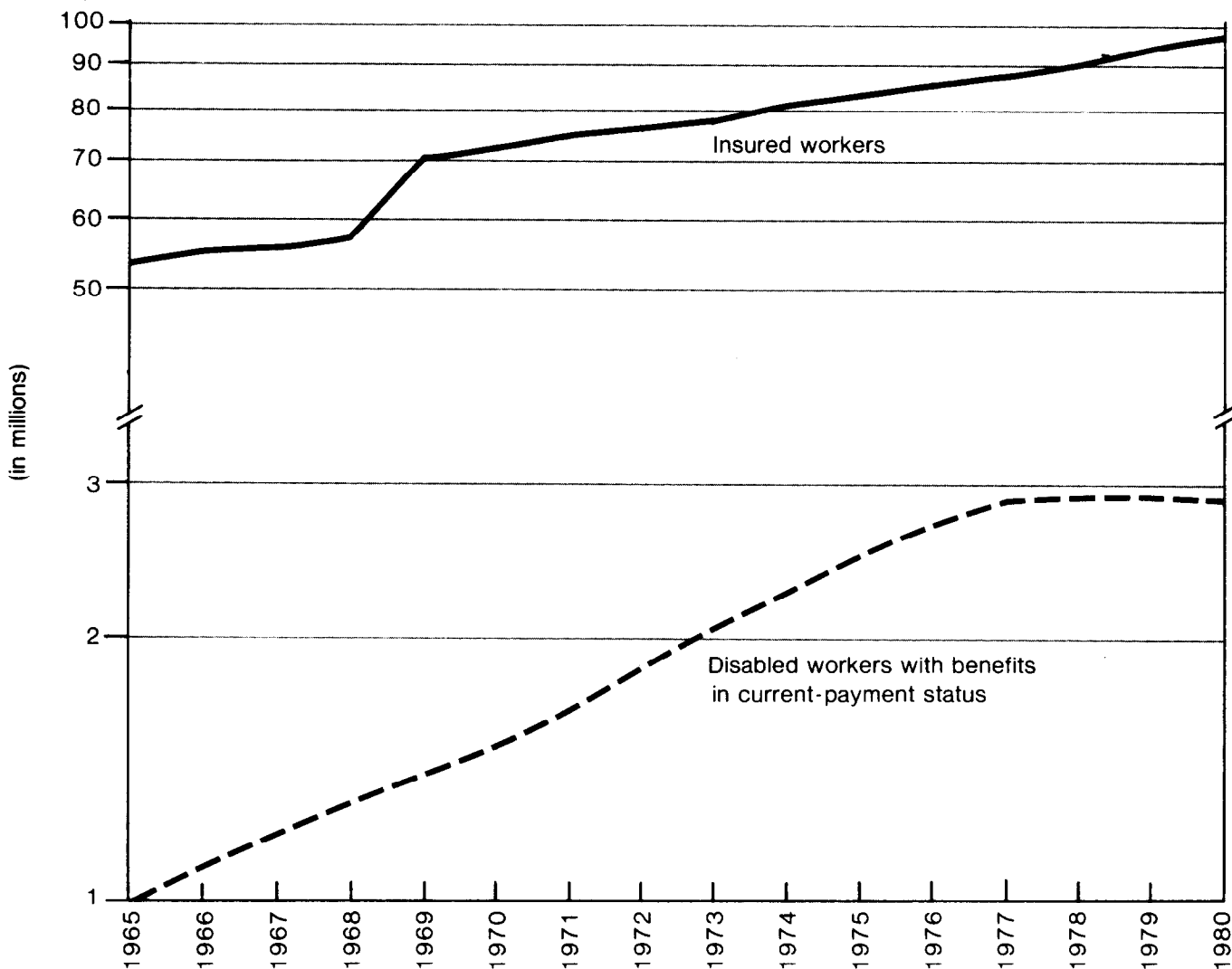


Table 3.—Disabled-worker determinations, initial allowances, and awards, 1965–81

Year	Number of initial determinations (in thousands) ¹	Initial allowances				Total awards	
		Number (in thousands)	Number per 100,000 insured workers	As a percent of determinations	As a percent of total awards	Total (in thousands)	Number per 100,000 insured workers
1965	497.3	244.9	459	49.2	96.6	253.5	476
1966	511.3	260.6	474	51.0	93.6	278.3	506
1967	558.9	283.7	509	50.8	94.1	301.5	541
1968	655.7	300.8	529	45.9	93.1	323.2	568
1969	² 689.4	307.9	439	44.7	89.3	344.7	492
1970	778.0	322.6	446	41.5	92.1	350.4	484
1971	918.1	375.9	505	40.9	90.4	415.9	558
1972	909.3	380.6	500	41.9	83.6	455.4	598
1973	976.7	415.3	534	42.5	84.5	491.6	632
1974	1,169.4	458.2	570	39.2	85.5	536.0	667
1975	1,237.5	494.1	593	39.9	83.5	592.0	711
1976	1,142.8	431.4	506	37.7	78.2	551.5	647
1977	1,187.5	382.7	440	32.2	67.3	568.9	654
1978	1,088.5	308.1	345	28.3	66.3	464.4	519
1979	1,185.1	301.3	321	25.4	73.7	408.7	436
1980	1,159.0	254.1	266	21.9	65.3	389.2	407
1981 ³	345.3	357

¹ Includes all denials for both medical and nonmedical (lack of insured status) reasons. There is reason to believe that determinations are slightly overstated for 1979 and 1980 due to the possibility of receiving counts of certain denials for lack of insured status from more than one accounting system. The amount of error, if any, probably would not change the allowance rate by as much as

one percentage point.

² The 1967 amendments liberalized the insured-status requirements for workers disabled before age 31.

³ Preliminary estimates.

percent in 1970 to 39.1 percent in 1980. The growing number of women in the insured population is a result of the changing patterns of female labor-force participation (more married women and mothers working) and changing life styles (postponed marriage and/or postponed childbearing). The labor-force participation rate of married women with a husband present and children under 6 years of age rose from 28.5 percent in March 1969 to 45.0 percent in March 1980.⁹ The rate for all married women rose from 39.6 percent in 1969 to 50.2 percent in 1980. At the same time, the rate for all married men was decreasing from 86.9 percent to 81.3 percent.¹⁰

⁹ Calculated from *Employment and Training Report of the President: 1981*, 1981, table B-7.

¹⁰ *Ibid.*, table B-1.

Disabled Workers with Benefits in Current-Payment Status

Data for December 1979 are used in tables 5 and 6. These are unfortunately the most detailed data available on disabled workers with benefits in current-payment status. A review of table 5 shows that, although the total number of persons receiving benefits doubled during 1970–79, the proportion of persons aged 55 and older remained constant. Although there was some increase in the relative importance of persons under age 45, this was compensated for by a decrease in importance for those aged 45–54. This trend has been stronger for women than it has been for men. Overall, women accounted for 28.4 percent of all disabled-worker beneficiaries in December 1970. By December 1979, this proportion had increased to 32.4 percent.

Table 4.—Age distribution of workers insured for disability, selected years

Age	Total			Men			Women		
	1970	1975	1980	1970	1975	1980	1970	1975	1980
Total number	72,358	83,273	95,578	48,896	53,583	58,128	23,462	29,691	37,450
Total percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under age 30	34.3	37.5	38.3	32.8	35.5	35.7	37.4	41.0	42.4
30–44	29.2	28.4	30.8	31.5	30.7	32.8	24.4	24.3	27.6
45–49	10.7	9.3	7.9	10.7	9.4	8.2	10.8	9.1	7.5
50–54	9.8	9.4	8.3	9.5	9.3	8.4	10.4	9.7	8.0
55–59	8.8	8.3	8.0	8.5	8.1	8.0	9.3	8.6	7.8
60–64	7.2	7.1	6.8	7.0	7.0	6.9	7.7	7.3	6.7
Median age	38.1	36.6	35.7	38.2	37.1	36.5	37.8	35.5	34.2

Source: Unpublished table provided by the Office of the Actuary, May 18, 1981.

The number of disabled-worker beneficiaries per 100,000 insured workers increased by 48 percent over the 9 years from 1970 to 1979 (table 6). Growth was greatest within the youngest age group, followed by those aged 55-59. This statistic grew more rapidly for men (54 percent) than for women (43 percent). When individual age-sex cells are examined, the statistic for men is much larger than it is for women. The greatest rate of growth (69 percent) was for women aged 45-54.

The number of women with benefits in current-payment status per 1,000 insured women in 1979 was less than the comparable number for men in 1975. At first glance, this finding appears to illustrate that women, who outlive men by almost 8 years, are healthier and experience less disability.¹¹ This hypothesis, however, is contrary to the findings of most health surveys, which

¹¹ Bureau of the Census, *Statistical Abstract of the United States, 1980*, 1980, table 106. Data are for 1978.

indicate that women report greater morbidity than men.¹² For instance, preliminary data from the 1978 Survey of Disability and Work show that proportionately more women than men consider themselves disabled.¹³ Interestingly, the difference centers in the percentage of those who regarded themselves as severely disabled (defined as "unable to work at all or unable to work regularly").

	All disabled	Severely disabled
Men	16.1	7.4
Women	18.4	9.7

Research has found that more men than women have limitations in activity and are unable to carry on the

¹² See Lois M. Verbrugge, "Females and Illness: Recent Trends in Sex Differences in the U.S.," *Journal of Health and Social Behavior*, December 1976, and the studies cited therein.

¹³ See Barry Bye and Evan Schechter, *Technical Introduction* (1978 Survey of Disability and Work, Report No. 1), Office of Research and Statistics, Office of Policy, Social Security Administration, 1982.

Chart 2.—Disabled-worker applications, awards, and initial allowances per 100,000 insured workers, 1965-80

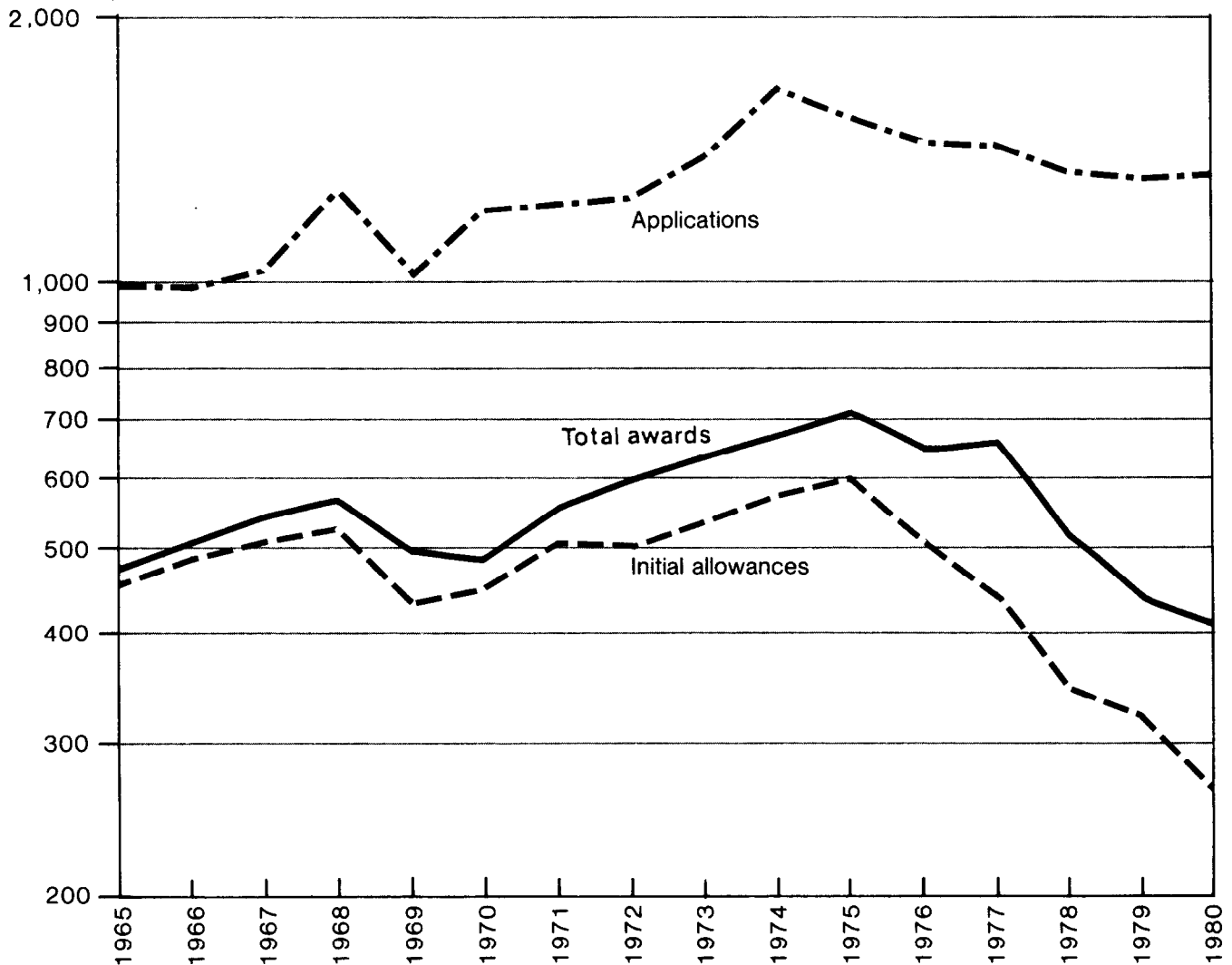


Table 5.—Age distribution of disabled workers with benefits in current-payment status and disability awards by age and sex, selected years

Age	Total			Men			Women		
	1970	1975	1979	1970	1975	1979	1970	1975	1979
Total disabled workers with benefits in current-payment status	1,492,948	2,488,774	2,870,590	1,068,986	1,710,923	1,939,373	423,962	777,851	931,217
Total percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under age 30	2.9	4.2	4.0	3.3	4.6	4.2	1.9	3.3	3.5
30-44	12.9	13.0	14.4	13.7	13.7	15.1	10.7	11.4	12.9
45-49	10.7	9.4	8.8	10.9	9.7	9.1	10.1	9.0	8.3
50-54	15.4	16.0	14.7	15.2	15.8	14.6	15.9	16.3	14.9
55-59	24.0	23.9	24.6	23.2	23.2	24.1	26.0	25.5	25.6
60-64	34.2	33.5	33.5	33.7	33.1	32.9	35.3	34.6	34.8
Total disability awards ¹	342,171	578,021	408,457	251,470	398,344	282,592	90,701	179,677	125,865
Total percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Under age 30	6.2	7.3	7.8	6.8	7.9	8.1	4.3	6.2	7.2
30-44	13.9	14.8	15.4	14.4	15.3	15.4	12.5	13.7	15.4
45-59	10.6	9.9	9.0	10.4	9.8	8.8	11.2	10.3	9.4
50-54	15.8	16.7	15.8	15.1	16.1	15.3	17.8	18.0	17.0
55-59	25.1	24.4	25.3	24.1	23.6	24.8	27.7	26.1	26.4
60-64	28.4	26.9	26.6	29.2	27.4	27.5	26.4	25.7	24.6

¹ Omits retroactive awards for persons aged 65 and over.

Source: Social Security Bulletin: Annual Statistical Supplement, selected years.

major activity of their age-sex group.¹⁴ This finding seems to be supported by the beneficiary data.

Awards

Disabled-worker awards rose every year between 1965 and 1975, increasing by approximately one and a third times in the period. At their peak in 1975, such awards totaled nearly 600,000, more than one-fourth the number of persons with benefits in current-payment status at the end of 1974. Awards per 100,000 insured workers also peaked in 1975, at 694. Awards made since 1975 have declined rapidly in number to only 345,000 in 1981, or 58 percent of their peak. The number of awards in 1981 was approximately the same as the 1970 figure, despite a 34-percent increase in the population insured for disability. As a result, the award rate in 1981—357 per 100,000 workers—fell far short of the 480-per-100,000 figure in 1970.¹⁵ In fact, the 357 awards per 100,000 workers in 1981 was by far the lowest rate in the history of the DI program.¹⁶

Table 5 compares the age-sex distribution of awards for 1970, 1975, and 1979. The strongest impression to

be gained is that of the relative constancy of the distribution by age. In addition, over time the proportion of awards going to women has increased from 26 percent in 1970 to 31 percent in 1975 and 1979. This proportion is virtually the same for all age groups.

Table 6 compares award rates by age and sex for the 3 years. Overall, awards per 100,000 insured workers increased between 1970 and 1975 and then decreased, so that the 1979 rate was below the 1970 rate.¹⁷ It is significant, however, that for persons aged 50-54 the 1979 rate, although lower than the 1975 rate, was higher than the 1970 rate. The big decrease between 1970 and 1979 appears only in the oldest age bracket, among those aged 60-64.

Initial Allowances

It is quite difficult to explain the sharp decrease in both the number of allowances at the initial level and the allowance rate, defined as the number of initial allowances divided by the number of initial determinations. The number of initial allowances has declined to almost half its 1975 peak. The allowance rate, which had been about 50 percent in 1965-67, also declined during the next few years. This decline has been attributed to the increasing number of young workers applying for benefits after the 1967 amendments.

Over the 6-year period 1970-75, the allowance rate hovered around 40 percent, ranging from 39 percent to

¹⁴ See Lois M. Verbrugge, *op. cit.*, pages 395-397.

¹⁵ As table 2 shows, the 1969 figure of 492 was depressed due to the increase in the insured population caused by the liberalization of the insured-status requirements for young persons in the 1967 amendments.

¹⁶ See the data on gross incidence rates in Bruce D. Schobel, *Experience of Disabled Worker Benefits Under OASDI, 1974-78* (Actuarial Study No. 81), Office of the Actuary, Social Security Administration, April 1980, table 1.

¹⁷ As noted in Schobel, *op. cit.*, this rate is a crude approximation of a gross incidence rate.

Table 6.—Disabled workers with benefits in current-payment status per 100,000 insured workers and disabled-worker awards per 100,000 insured workers, by age and sex¹, selected years

Age	Total			Men			Women		
	1970	1975	1979	1970	1975	1979	1970	1975	1979
Total disabled workers with benefits in current-payment status.....	2,063	2,989	3,060	2,186	3,193	3,356	1,807	2,620	2,584
Under age 30.....	175	336	315	221	415	392	92	213	210
30-44.....	909	1,364	1,466	951	1,426	1,579	795	1,225	1,249
45-49.....	2,054	3,034	3,323	2,232	3,267	3,640	1,688	2,599	2,775
50-54.....	3,227	5,050	5,331	3,474	5,424	5,756	2,757	4,399	4,631
55-59.....	5,651	8,612	9,401	5,966	9,142	10,110	5,053	7,718	8,266
60-64.....	9,754	14,130	15,158	10,515	15,082	16,215	8,305	12,475	13,434
Total disabled-worker awards ²	472	694	435	514	743	489	387	605	349
Under age 30.....	85	136	88	107	165	109	44	91	59
30-44.....	226	361	223	236	370	235	199	340	201
45-49.....	466	741	482	498	771	515	402	686	426
50-54.....	763	1,227	816	816	1,284	878	661	1,127	715
55-59.....	1,353	2,045	1,379	1,459	2,173	1,519	1,151	1,827	1,153
60-64.....	1,859	2,628	1,713	2,137	2,907	1,977	1,329	2,144	1,282

¹ Disabled workers as of December of calendar year. Insured workers as of January of calendar year.

² Omits retroactive awards for persons aged 65 and over.

Source: Social Security Bulletin: Annual Statistical Supplement, selected years.

42 percent. The rate then dropped sharply so that by 1980 about 4 out of every 5 initial determinations was a denial. Initial allowances per 100,000 insured workers decreased by more than half between 1975 and 1980.

Several theories have been suggested as partial explanations of the recent decline in initial allowances. These include improvement in the health status of the population, the increase in nonmedical denials, and tighter administration of the adjudicative standards. No factor appears to completely account for all of the decline.

(1) Improvement in the health status of the population. One measure of this improvement is the significant decrease in mortality rates in recent years. The death rate declined from 945 per 100,000 population in 1970 to 888 in 1975 and then increased slightly to 893 in 1980.¹⁸ The following tabulation presents age-specific death rates for persons aged 45-54 and 55-64 (more than four-fifths of all disabled-worker beneficiaries are in these age brackets).

Age	1970	1975	1980
Total.....	945	888	893
45-54.....	730	650	591
55-64.....	1,659	1,496	1,381

The death rate for persons aged 45-54 decreased by 19 percent between 1970 and 1980, and that for persons

¹⁸ Data from the National Center for Health Statistics, *Monthly Vital Statistics Report*, September 17, 1981, table 7. The 1980 data is provisional. The age-adjusted death rate has dropped more rapidly, going from 714 in 1970 to 638 in 1975 and to 606 in 1978. *Monthly Vital Statistics Report*, supplement 2, September 17, 1980.

aged 55-64 decreased by 17 percent over the same period. Both decreases were relatively much larger than the change observed for the total population of all ages.

On the other hand, figures on self-reports of health status or disability status suggest a slight increase in morbidity rates. Data from the National Center for Health Statistics on limitations in major activity, for example, show an increase from 9.1 percent of the population in 1969-70 to 10.9 percent in 1980.¹⁹ A similar trend in the number and proportion of persons identifying themselves as severely disabled is also shown in the Social Security Administration's periodic surveys of the disabled. The 1978 Survey of Disability and Work found that 10.9 million persons aged 18-64 identified themselves as being severely disabled. This figure represented 8.6 percent of the working population. The 1972 Survey of Disabled and Nondisabled Adults found 7.4 million severely disabled persons aged 20-64, who represented 7.0 percent of the relevant population.²⁰ The 1966 Social Security Survey of the Disabled found that 6.1 percent of the population claimed to be severely disabled.²¹ The relevant figures from the 1972 and 1978

¹⁹ The 1969-70 data are from Bureau of the Census, *Statistical Abstract of the United States, 1980*, 1980, table 202. The data for 1980 are from the National Center for Health Statistics, "Current Estimates from the National Health Interview Survey, 1980," *Vital and Health Statistics*, December 1981.

²⁰ Kathryn H. Allen, "General Characteristics of the Disabled: An Overview," *Disability Survey 1972: A Monograph* (Research Report No. 56), Office of Research and Statistics, Office of Policy, Social Security Administration, 1981, chapter 2.

²¹ Lawrence D. Haber, *Disability, Work and Income Maintenance: Prevalence of Disability, 1966* (Social Security Survey of the Disabled: 1966, Report No. 2), Office of Research and Statistics, Social Security Administration, 1968.

disability surveys are shown in the following tabulation.

Year	All severely disabled		Men		Women	
	Number (in millions)	Percent of population	Number (in millions)	Percent of population	Number (in millions)	Percent of population
1972	7.4	7.0	2.8	5.7	4.6	8.3
1978	10.9	8.6	4.7	7.5	6.2	9.7

(2) **The increase in nonmedical denials.** Applicants who have not attained DI insured status cannot be accepted in the DI program regardless of their degree of medical impairment. The number of such nonmedical denials of DI benefits more than tripled between 1967 and 1980, rising from 117,000 to 371,000 (table 7). Overall, the increasing number of ineligible applicants contributed to some, but by no means accounted for all, of the decline in the aggregate denial rate.

In the early 1970's, the initial allowance rate stayed relatively steady, hovering around 40 percent (table 3). The component parts of this rate were also level, with the proportion of nonmedical denials at about one-fourth of all initial determinations, and the substantive allowance rate, which excludes nonmedical denials, remaining somewhat over 50 percent (table 7).

Between 1975 and 1980, nonmedical denials rose at a slightly slower rate than substantive denials (20 percent, compared with 22 percent); however, as a proportion of all denials, nonmedical denials were relatively constant at about 40 percent. The total allowance rate declined sharply between 1975 and 1980, however, and the substantive allowance rate fell from 53.1 percent in 1975 to 32.2 percent in 1980. The fact that nonmedical denials

Table 7.—Nonmedical denials¹ and the substantive allowance rate,² 1967-80

Year	Nonmedical denials (in thousands)	Nonmedical denials as a proportion of initial determinations	Substantive allowance rate
1967	116.8	20.9	64.2
1968	144.6	22.1	58.9
1969	143.8	20.9	56.4
1970	178.1	22.9	53.8
1971	184.5	20.1	51.2
1972	212.3	23.3	54.6
1973	249.7	25.6	57.1
1974	325.8	27.9	54.3
1975	306.8	24.8	53.1
1976	242.2	21.2	47.9
1977	290.4	24.5	42.7
1978	319.0	29.3	40.0
1979	342.5	28.9	35.8
1980	370.8	32.0	32.2

¹ Denials as a result of a lack of insured-for-disability status.

² Allowances as a proportion of the sum of allowances and denials for substantial gainful activity and medical reasons (the denominator excludes non-medical denials).

were a relatively constant fraction of all denials while the total allowance rate was falling suggests that increases in the nonmedical denial rate did contribute to the increase in the total denial rate. But the decline in the substantive allowance rate between 1975 and 1980 shows that much of the decrease in the total initial allowance rate was due to factors other than an increase in ineligible applicants.

(3) **Tighter administration of the standards set by the Social Security Administration and carried out by State agencies.** Although there have been no major changes in the rules used for determining disability eligibility, there has been increased congressional scrutiny of the administration of the program, particularly in light of the rapid increases in program costs occurring in the early 1970's. For instance, in 1974 the **Committee Staff Report on the Disability Insurance Program** found:

The estimated actuarial cost of the disability insurance program has doubled in about 5 years. This increase is the result primarily of higher allowance (or incidence) rates and lower termination rates. While part of these changes are attributable to changes in the law enacted by Congress during this period, other factors must be looked to in order to account for such significant cost increases. These other factors related to the manner in which the disability insurance program is administered and general economic forces.²²

Among the issues discussed by the staff in addition to the cost of the program were State agency operation, disability appeals procedures, standards and definition of disability, and the growing importance of Social Security disability litigation. Oversight of the DI program by the Subcommittee on Social Security of the House Ways and Means Committee continued unabated throughout the next 6 years,²³ culminating in three pieces of Federal legislation.²⁴ With all this interest on the part of Congress as well as the executive branch in the effect of program administration on costs, it is quite possible that State agencies and disability examiners have become more conservative in the way in which they interpret and apply the standards.

²² U.S. House of Representatives, Committee on Ways and Means, July 1974, page 13.

²³ The voluminous output of the subcommittee included **Staff Survey of State Disability Agencies Under Social Security and SSI Programs**, August 1975; **Recent Studies Relevant to the Disability Hearings and Appeals Crisis**, December 20, 1975; **Disability Insurance—Legislative Issue Paper**, September 30, 1976; **Adjudication Structure**, January 29, 1978; **Review of the State Agency Decisions**, February 21, 1978; and **Status of the Disability Insurance Program**, March 16, 1981.

²⁴ The new laws were the Social Security Amendments of 1977, the Social Security Disability Amendments of 1980, and the Omnibus Budget Reconciliation Act of 1981.

Allowances After the Initial Level

Despite, or perhaps because of, the sharp decrease in the number of initial allowances, the number of allowances after reconsideration or hearing has continued to grow (table 8). The largest increase has occurred at the tertiary level of hearings before an administrative law judge (ALJ). As will be seen, the increase at the ALJ level resulted from a combination of more hearings and a higher reversal rate. The decrease in the initial allowance rate (tables 3 and 7) that started about 1976 also affected reconsideration reversals. The latter series, after increasing every year between 1967 and 1975, began to decline in 1976. But whatever caused the increase in State agency denials at the initial and reconsideration stages does not seem to have affected the ALJ's. It is possible that the ALJ reversal rate has increased because of cases denied at the first two levels that would have been allowed in earlier years. Unfortunately, no data are available with which to evaluate this hypothesis.²⁵

Table 9 highlights the changing trends in the various levels of the DI program. Between 1970 and 1975, initial substantive determinations grew by more than half, rising from approximately 600,000 to 931,000 in the period and then falling by 15 percent to 788,000 in 1980. The number of allowances at this level was half again as large in 1975 as it had been in 1970, and then was halved, so that there were about 70,000 fewer initial allowances in 1980 than there had been in 1970. The number of reconsiderations increased by one and one-third times from 1970 to 1975, and then increased more slowly

²⁵ See "The Bellmon Report," *op. cit.*, for an extensive discussion of differences in disability decisions made by the State agencies and decisions reached by ALJ's.

ly to stand, in 1980, at 272 percent of the 1970 level. However, the reversal rate (denials changed to allowances) at the reconsideration level decreased slightly between 1970 and 1975, and dropped sharply between 1975 and 1980. As a result of a 14.7-percent reversal rate, the number of allowances after reconsideration in 1980 was 36,000, only 7.4 percent above the 1970 level despite the 72-percent growth in the number of reconsiderations. The relative drop in the reconsideration reversal rate over the 1970-80 period—58 percent—was greater than the 43-percent drop in the initial allowance rate. Thus, the increase in denials among the State disability determination units was even more pronounced at the secondary or reconsideration level than it was at the initial level.

Although the denial rate rose at the initial and secondary levels, the opposite appears to be true at the tertiary or ALJ hearing level. The number of hearings tripled between 1970 and 1975, and increased by another 78 percent from 1975 to 1980. The 169,000 hearings in 1980 were more than five times the 31,000 hearings in 1970. Concomitant with the increase in the number of hearings was an increase in the reversal rate, which went from 43.4 percent in 1970 to 48.4 percent in 1975 and to 58.2 percent in 1980. As a result of both these changes—more hearings and more reversals—allowances at the hearings level increased three and one-third times between 1970 and 1975 and then more than doubled between 1975 and 1980. Hearings allowances in 1980 amounted to more than seven times the 1970 level. In 1970, allowances at the hearing level were equal to 41 percent of those at the reconsideration level, 4.2 percent of those at the initial level, and 3.7 percent of those at all levels. By 1980, allowances at the hearing level amounted to almost three times as many as those arising

Table 8.—Disabled-worker allowances after the initial level, 1967-80

Year	Total	Reconsiderations ¹	Hearings			Appeals Council review ²	Court action ³
			Total	Disability Insurance (DI) only ²	Concurrent DI and SSI		
1967	27,177	18,789	7,196	7,196	...	758	434
1968	30,864	21,853	8,212	8,212	...	514	285
1969	44,376	31,589	11,709	11,709	...	741	337
1970	48,258	33,540	13,607	13,607	...	743	368
1971	67,596	49,617	16,840	16,840	...	684	455
1972	81,787	59,201	21,285	21,285	...	891	410
1973	85,448	59,371	23,643	23,643	...	1,865	569
1974	91,866	64,325	25,205	24,595	610	1,676	660
1975	120,962	72,948	46,101	35,804	10,297	1,143	770
1976	117,410	59,724	55,840	38,990	16,850	1,011	835
1977	123,548	51,881	69,204	46,824	22,380	782	1,681
1978	120,758	39,299	79,031	52,717	26,314	836	1,592
1979	133,409	45,026	86,150	55,801	30,349	⁴ 1,802	431
1980	138,389	36,032	99,975	64,590	35,385	1,770	612

¹ Worker only.

² Worker and child.

³ Worker, children, and widow(ers).

⁴ Beginning with Appeals Council reviews the last quarter in 1979, the totals for workers, children, and widow(ers) are combined.

Table 9.—Disabled-worker claims and their disposition at various review levels, 1970, 1975, and 1980¹

Item	1970				1975				1980			
	Total determinations	Allowed	Denied or dismissed	Percent reversed	Total determinations	Allowed	Denied or dismissed	Percent reversed	Total determinations	Allowed	Denied or dismissed	Percent reversed
All initial determinations . . .	777,965	322,590	455,375	...	1,237,465	494,145	743,320	...	1,159,035	254,055	904,980	...
Initial substantive determinations ²	599,836	322,590	277,246	...	930,618	494,145	436,473	...	788,231	254,055	534,176	...
Reconsiderations	96,046	33,540	62,506	34.9	222,237	72,948	149,289	32.8	245,341	36,032	209,309	14.7
Hearings ³	31,365	13,607	17,758	43.4	95,234	46,101	49,133	48.4	169,088	99,975	69,113	59.1
Appeals Council review ⁴ . . .	8,223	743	7,480	9.0	17,713	1,201	16,512	6.8	38,242	1,770	36,472	4.6
Court actions	1,111	368	743	33.1	2,094	770	1,324	36.8	3,081	612	2,469	19.9
Total allowances	370,848				615,165				392,444			

¹ Concurrent DI and SSI cases are included.

² Excludes denials due to lack of insured status.

³ Hearings counts may include a few disabled children cases.

⁴ Appeals Council and court cases may include a few disabled children and disabled widow(er) cases.

from reconsiderations, three-tenths of those resulting from initial allowances, and one-fourth of all allowances. A large increase also occurred in the number of cases pursued as far as the Appeals Council and the courts, but the number of allowances attained at these levels of adjudication still amounted to less than 1 percent of all allowances.

The SSA administrative data system does not easily permit the tracing of decisions made after the initial level back to the year of the initial disposition. In the tabulation that follows, all decisions are therefore treated as though they occurred in the same year. In 1970, about one-third of all persons whose applications were denied initially pursued their case to reconsideration. By 1975-80, about 45-50 percent of the applicants demanded a second decision. Even more interesting is the change at the hearing level. In 1970, half of those denied an allowance at the reconsideration level went on to a hearing. By 1980, this proportion had increased to four-fifths. As a result of this sharp increase, ALJ's, who had been reversing one-fifth of the reconsideration denials in 1970, were reversing almost half in 1980. Reconsiderations and ALJ allowances of claims denied at a previous level together represented about 17 percent of the substantive denials in 1970, but in 1980 they represented more than a fourth of those denials. The proportion of persons whose claims were denied at the ALJ level who took their case to the courts also increased from 46 percent in 1970 to 55 percent in 1980.

Summary and Conclusions

This article has shown that in 1982 overall growth in the DI program is not the issue it was in 1976. The number of disabled workers with benefits in current-payment status and the number of dependents receiving benefits as a result of a worker's disability have been decreasing. The increases in expenditures for the DI program are due to the indexing of benefits and increases in the earnings base. These increases are not unique to the DI program but affect all the cash benefit programs under Social Security.

In its 1982 Annual Report, the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds described the major short-run problem facing the program as a projected shortfall in the Old-Age and Survivors Insurance Trust Fund that is being exacerbated by continuing unfavorable economic conditions. The trustees point out, however, that "the Disability Insurance Trust Fund is projected to grow rapidly in both the short range and the long range."²⁶

Three pieces of recent legislation were designed, in part, to address the growth experienced during the 1970's in the DI program. These new laws were (1) the Social Security Amendments of 1977, (2) the Social Security Disability Amendments of 1980, and (3) the Omnibus Budget Reconciliation Act of 1981. Only the 1977 amendments may have affected program experience during the period examined in this article. The other legislation will exert an impact in the early 1980's, and may be expected to have a strong influence on future experience.

Although it is difficult to forecast DI program trends with precision, some future developments appear likely. The net effect of the three pieces of legislation cited above should be to (1) diminish the number of applica-

²⁶ 1982 Annual Report of the Board of Trustees of the Federal Old-Age and Survivor Insurance and Disability Insurance Trust Funds, 1982.

Item	1970	1975	1980
Reconsideration determinations as a proportion of substantive denials	34.6	50.9	45.9
Reconsideration allowances as a proportion of substantive denials	12.1	16.7	6.7
ALJ hearings as a proportion of reconsideration denials	50.2	63.8	80.8
ALJ allowances as a proportion of reconsideration denials	21.8	30.9	47.8
ALJ allowances as a proportion of substantive denials	4.9	10.6	18.7

tions for DI benefits, (2) reduce average benefits and replacement rates, and (3) encourage some persons on the rolls to venture off them because of the longer protection afforded by the new trial-work provisions and the provision of Medicare benefits for 24 additional months beyond the automatic reentitlement period.

Earlier work on a predictive model²⁷ for DI applica-

²⁷ Mordechai E. Lando, "The Effects of Unemployment on Application for Disability Insurance," **1974 Business and Economic Statistics Section, Proceedings of the American Statistical Association**, 1974; John C. Hambor, **Unemployment and Disability** (Staff Paper No. 20), Office of Research and Statistics, Social Security Administration, 1975; Lawrence H. Thompson and Paul Van de Water, **The Short Run Behavior of the Social Security Trust Funds** (Technical Analysis Paper No. 8), Department of Health, Education, and Welfare, December 1975; Janice D. Halpern, "The Social Security Disability Program," **New England Economic Review**, May-June 1979; and Mordechai E. Lando, Malcolm B. Coate, and Ruth Kraus, "Disability Benefit Applications and the Economy," **Social Security Bulletin**, October 1979, pages 3-10.

tions and benefits indicated that macroeconomic conditions as represented by the unemployment rate predict the number of applications for DI benefits well. Other things being equal, the current high and still-rising unemployment rates should lead to an increase in the number of applications and awards.

Although it is impossible to weigh the respective impacts of these opposing forces, on balance, it would appear that the cumulative effect of the legislation is more important than the opposite influences. In fact, the number of disabled-worker applications for DI benefits, which had remained relatively constant over the past few years, began to decrease in 1981. The total number in that year—approximately 1,136,000—was 10 percent below the corresponding figure for 1980. This decrease has continued during early 1982; preliminary data for January-May indicate that applications were about 18 percent below the comparable figures for 1981.