

# TRENDS IN THE COMPOSITION AND OUTCOMES OF YOUNG SOCIAL SECURITY DISABILITY AWARDEES

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## Introduction

A large share of new Social Security Disability (SSD) beneficiaries — disabled workers and Disabled Adult Children (DAC) — are under age 40. Young awardees accounted for about a third of all SSD awardees in 1990, falling to about a quarter of all awardees in 2010. The decline since 1990 in the percentage of young awardees likely reflects the aging of the post-World War II baby boom generation; born between 1946 and 1964, the baby boomers were age 26 to 44 in 1990 and 46 to 64 in 2010. Indeed, the number of awards to disabled workers under age 40 rose from about 123,000 in 1990 to 190,000 in 2010, even though the number of disability-insured individuals of that age fell during the same period.

Growth in the number of young SSD beneficiaries has received relatively little attention in the public discussion over the pending exhaustion of the Disability Insurance (DI) Trust Fund. The Social Security and Medicare Trustees and the Congressional Budget Office both project exhaustion of the fund in 2016. Public debate over policy changes designed to slow growth in the number of beneficiaries has focused on policies that would encourage employers to retain experienced workers after disability onset — DI's original target population. These proposals are not designed to help youth and young adults with disabilities engage in productive careers.

For this demographic group, movement away from a disability policy initially designed for older disabled workers toward a policy specifically designed for youth and young adults with disabilities might help both improve such groups' futures and reduce growth in government expenditures for their support. There is great interest, therefore, in developing policies that will help young adults with disabilities lead more productive, fulfilling lives and reduce their dependence on government support, yet much remains unknown about programmatic and employment outcomes under current policy.

## Methods

Our study uses administrative SSA data to provide new descriptive information on trends in the composition and outcomes of young SSD awardees first awarded benefits between 1996 and 2007. Given that awardees taking different paths to SSD vary in terms of personal characteristics and outcomes, we pay particular attention to differences between disabled worker and DAC awardees and between beneficiaries with and without an SSI history as either children or adults. More specifically, we track (1) trends in the composition of SSD awardees in terms of disabled workers versus DAC and whether they have an SSI history as either

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children or adults; (2) trends in characteristics of young SSD awardees such as sex, primary impairment, and benefit at award, separately for the disabled worker and DAC subgroups; and (3) trends in key outcomes such as employment and mortality, by subgroup.

## Findings

We find substantial compositional changes among young SSD awardees during the study period, with important implications for policies intended to serve the population in the years ahead. In 2007, compared to 1996, relatively more SSD awards to individuals under age 40 went to DAC versus disabled workers; to disabled workers and DAC who had received SSI benefits, especially as children, versus those with no SSI history; and to disabled workers and DAC with psychiatric disorders versus those with other types of impairments.

In terms of outcomes, we find that disabled workers who received SSI as children are far more likely than those who did not receive SSI as children to earn more than \$1,000 (in 2007 dollars) annually as of the fifth post-award year; that compared to disabled workers, DAC are considerably less likely to work and earn more than \$1,000 annually; and that both disabled workers and DAC are significantly less likely to earn more than 12 times the non-blind substantial gainful activity (SGA) level annually than they are to earn more than \$1,000 annually.

Several factors potentially contributed to the observed trends. It is difficult to distinguish between the effects of the various factors, however, because of the overlap in timing. The factors include rapid growth in the child SSI program since 1989, mostly as a consequence of the Zebley decision, which made it easier for children with psychiatric disorders to qualify for benefits; the welfare reform of 1996, which increased incentives to apply for federal disability benefits; the special disability workload, which awarded DI benefits retroactively to thousands of SSI-only beneficiaries; the aging of the baby boomers, which likely increased the number of young adults eligible for DAC benefits; and the recession of 2001 as well as the 1999 SGA increase, both of which likely induced increases in DI applications.

Our findings raise several policy issues. Perhaps the most important asks whether there is a better policy option for youth and young adults with disabilities — one that does not discourage work and does not promote dependence? Rigorous evidence shows that employment supports can help young adults with disabilities achieve some employment success. Two prominent examples are the Mental Health Treatment Study and the Youth Transition Demonstration. Any consideration of this policy question, and others like it, should carefully account for the observed changes to the young SSD population, which increasingly includes more females, more DAC, more beneficiaries with an SSI history, and more beneficiaries with psychiatric disorders.

These compositional changes also have implications for the Medicare program because the mix of health care services used by young SSD awardees, most of whom become eligible for Medicare after a 24-month waiting period, is likely different today (and even more so over the long term) from what it was a decade ago. Another important question is whether states will continue to face increasingly strong financial incentives to help SSI recipients to obtain DI — and eventually Medicare — as the cost of health care continues to escalate, placing more and more pressure on state Medicaid budgets.

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