



## Welfare State Madness

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Another dubious record has been set during the Obama administration. As of the end of December, a staggering 10,988,269 Americans were [receiving](#) federal disability benefits, a number that [exceeds](#) the entire population of Greece. The December totals mark the 202nd straight month that the number of disabled workers in the nation has increased. Furthermore, according to the latest [Annual Statistical Report on the Social Security Disability Insurance Program](#), “mental disorder” is the top “diagnostic group,” comprising 35.5 percent of all disabled beneficiaries. Within that category, “mood disorders” is the most prevalent affliction, at 14.1 percent.

Though it is the latest report released, the statistics compiled represent the disabled beneficiaries as of December 2012, when approximately 88,000 fewer Americans were receiving benefits. The overall number of disabled beneficiaries has nearly doubled since December 1995. The Social Security Administration (SSA) [defines](#) a disabled worker as a “beneficiary who worked in covered employment long enough to be insured and who had been working recently in covered employment prior to disability onset.” A spouse eligible for benefits must have a child under age 16 or a disabled child in his or her care, or be at least 62 years old. A divorced spouse is also eligible if the marriage lasted at least 10 years.

As of December 2013, the average monthly benefit paid to a disabled worker also hit a record high of \$1,146.43, as did the monthly payouts to spouses and children, reaching \$308.13 and \$341.42 respectively.

No doubt many Americans may wonder why the number of disabled is growing so rapidly. Many analysts contend it is due to a Baby Boomer generation that is now entering retirement and dealing with health problems associated with aging. On the other hand, Mark Duggan and Scott Imberman, disability researchers at the National Bureau of Economic Research, have reached an entirely different conclusion. In a [study](#), “Why Are the Disability Rolls Skyrocketing?” the authors reveal that aging accounted for the growth disability benefits in only 13 percent of male recipients and 4 percent of female recipients, with the relatively recent increase in women entering the workforce accounting for the discrepancy. The biggest driver of growth, at 45 percent for men, and 36 percent for women, was the relaxation of medical eligibility criteria. Relaxed criteria that has made it possible for otherwise able-bodied Americans to get a lifetime’s worth of government paychecks.

Unsurprisingly, politics played the principal role in expanding the definition of “disabled.” In his last year as president, Jimmy Carter signed the Disability Amendments Act of 1980, encouraging stricter oversight of Social Security disability benefits. When Reagan assumed the presidency, he asked the SSA to step up enforcement of the law. As a result, one million Americans lost their

benefits. The political backlash led to Congress unanimously passing the Social Security Disability Benefits Reform Act of 1984. The law instructed government to give an applicant's self-assessment of a disability greater consideration, especially in the areas of pains and discomfort. It also allowed assessments by one's own doctor to take the place of medical assessments made by the government, and it eased the screening criteria for some categories, including mental illness.

The effects were dramatic. Since subjective assessments by an applicant enabled many people to claim disability — while medical advances lowered the number of disabling medical conditions — disability benefits dramatically increased for people with musculoskeletal and mental disorders, even as benefits for those suffering from conditions such as cancer, strokes, or heart attacks remained constant.

Duggan and Imberman also charted the correlation between the number of disabled and the second biggest driver of growth, increased government payouts. The SSA pays out benefits based on what someone made while they were working, plus means testing. They noted that due to the expansion of income subject to Social Security taxes, and a growth of income dispersion, low-income Americans gain higher levels of disability payments relative to their previous income.

In addition, Americans who qualify for disability insurance via the Social Security program automatically [qualify](#) for Medicare after two years, regardless of age. Aaron Yelowitz of the National Bureau of Economic Research and the University of California published research indicating that “13 to 20 percent of the rise in SSI participation may be due to increases in the value of Medicaid.”

Given these realities, it is unsurprising that disability claims have skyrocketed over the last three decades. Adding to the momentum, a [report](#) by National Public Radio's (NPR) Chana Joffe-Walt paints a disturbing picture of what she calls a “disability-industrial complex.” It amounts to little more than members of the legal and medical professions dedicating themselves to getting as many Americans on disability as they possibly can.

The surge in disability recipients is also exacerbated by economic downturns. During the last three recessions, applications for Social Security Disability Insurance (SSDI) have increased in conjunction with the unemployment rate. “It's primarily economic desperation,” said former Social Security Commissioner Michael Astrue in 2011. “People on the margins who get bad news in terms of a layoff ... have no other place to go and they take a shot at disability.”

NPR's Joffe-Walt confirms that assessment, noting that “disability has also become a de facto welfare program for people without a lot of education or job skills.” This is due to the reality that the difference between a minimum wage job and disability payments is only \$2000 per year, and the jobs probably don't include health insurance. Thus she concludes that “disability may be a better option.”

That option, absent a legitimate disability, amounts to gaming the system. An egregious example of gaming the system was recently [uncovered](#) in New York. More than 100 retired cops and

firemen allegedly gamed the system out of \$400 million in fraudulent disability claims dating back to 1988. Over half the claimants blamed 9/11 for a variety of mental ailments after being coached how to describe their symptoms by four individuals who oversaw the scheme. “Specifically they instructed them on how to intentionally fail memory tests, how to dress when they presented themselves and how to present their demeanor,” [said](#) Manhattan District Attorney Cyrus Vance Jr.

They are hardly an anomaly. A [report](#) published by the Senate’s Permanent Subcommittee on Investigations following an 18-month investigation reveals that in over a quarter of the cases they reviewed, evidence confirming disabilities was “insufficient, contradictory, or incomplete.” A 2011 internal investigation by the SSA revealed an almost identical error rate at 22 percent. Senator Tom Coburn (R-OK), a medical doctor, reviewed 100 cases personally. “In about 75 percent of the cases I went through, people were not truly disabled,” he concluded. He further noted huge inconsistencies regarding how administrative judges reviewed evidence contending that “you could flip a coin for anybody that came before the Social Security commission for disability and get it right just as often as the judges.”

The Heritage Foundation’s James Sherk [contends](#) that the rise in SSDI participation accounts for a reduction of almost one-third in the workforce participation rate between 2007 and 2001. He also implies that gaming the system is part of the equation. “Studies show that a significant number of workers who apply for disability benefits are not entirely disabled,” he writes. “They have medical conditions that qualify them for benefits, but under other circumstances they could work at some type of job. Given the option of receiving benefits, however, they take them.”

And once Americans begin taking disabled benefits, most never return to the labor force. As Sherk reveals, only 9 percent of SSDI recipients who quit the system do so because their health has improved to the point where they’re no longer eligible. As for people who voluntarily leave the system, a “Ticket-to-Work” program created in 1999 that allowed recipients to return to work — while keeping their health insurance — netted fewer than 1,400 claimants over the following seven years.

Given the rapid expansion of claimants and payouts, it should surprise no one that SSDI will [run out](#) of money by 2016. Thus, reforming the system would seem to be an urgent priority. Tad DeHaven, a budget analyst at the Cato Institute, [illuminates](#) the reason why it will prove quite difficult for Congress to do so. “Do you want to be the member that has the quote, unquote, ‘disabled’ activists outside of your office protesting?” he asks. “It’s like any other program, you’ve got to be willing to stick your neck out and you’ve got to be willing to find people to go along.”

Another [report](#), “How Some Legal, Medical and Judicial Professionals Abused Social Security Disability Programs for the Country’s Most Vulnerable: A Case Study of the Conn Law Firm,” may provide a great deal of impetus in that regard. Once again Sen. Coburn led the charge. “In just two years, the Social Security Disability Trust Fund could be depleted,” he explained. “That means millions of disabled Americans will face benefit cuts while every American could see an increase in their payroll taxes. That is unacceptable. What is also outrageous...is how well-heeled and well-connected lawyers, doctors, and judges have gamed the system for their own

benefit. Every bogus claim made on behalf of someone who is not truly disabled robs taxpayers and denies or delays benefits for someone who is truly disabled.”

That’s what the ”disability-industrial complex” is all about. Most Americans have no problem whatsoever helping the truly disabled, even as most Americans bristle at the thought of underwriting able-bodied frauds.

A solution for the problem may be simpler than most people think. As columnist Jonah Goldberg [notes](#), everyone in Great Britain receiving their version of a disability payment was recently asked to submit to a medical examination to confirm they were too disabled to work. A third of them simply dropped out of the program rather than be examined. More than half of those tested were found fit for work, and 25 percent were fit for some work. He suggested the United States do the same thing, believing the results “would be interesting too.” In a nation where “victimhood” has become a way of life, they might be fascinating.