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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

MANPOWER AND WELFARE
DIVISION

B-164031(4)

JAN 22 1976

The Honorable
The Secretary of Health, Education, ²²
and Welfare

Dear Mr. Secretary:

We have completed our study of individuals denied title II Social Security disability benefits. As part of this study we reviewed the need for a systematic recall and reassessment procedure for certain individuals denied benefits. This review showed the procedure may not be worthwhile, considering the relatively small number of individuals who would benefit from it. Our study revealed several other matters you should note. ² These concern Social Security Administration (SSA) relationships with applicants, the rehabilitation of applicants denied benefits, the low earning levels of applicants denied benefits, and the need for SSA to consider current upward trends in the country's cost of living and in average wages when determining eligibility.

BACKGROUND

SSA operates a program pursuant to title II of the Social Security Act to pay monthly benefits to workers determined to be disabled by the Secretary, Department of Health, Education, and Welfare (HEW). To be considered eligible for these benefits, a worker must be fully insured for social security retirement purposes and generally have at least 20 quarters of coverage during the 40-quarter period ending with the quarter in which the disability began. The worker must also be unable to do substantial gainful activity, by reason of any medically determinable physical or mental impairment that can be expected to result in death or that has lasted or can be expected to last for a continuous period of not less than 12 months.

Substantial gainful activity is considered to be work at or above a specified dollar amount and involves significant physical or mental duties, or a combination of both, and is productive. Any worker denied benefits has the right to appeal the decision of the Secretary at various levels in the

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Department within specified times and ultimately to the Federal courts. If the appeal is denied and the worker believes his or her medical condition has worsened, the worker can reapply for disability benefits.

Johns Hopkins study of the disability program

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In 1971 HEW issued "Research Report Number 39," an evaluation study of the disability insurance program. The report was prepared under a contract between SSA and the Johns Hopkins University. The study's purpose was to (1) examine the postevaluation experience of a group of applicants denied disability benefits and (2) contrast their experience with a group of applicants allowed benefits. The study was made in Baltimore, Maryland, from March 1964 through September 1966.

Among its findings, the study showed that about 24 percent of the applicants denied disability benefits had become medically eligible. Consequently, Johns Hopkins recommended that SSA initiate a systematic recall and reassessment procedure to assure the reevaluation of those applicants whose impairments were progressive. Specifically, it recommended that individuals newly denied benefits be evaluated by SSA regarding the probability of their impairments progressing and their future abilities to work. Then, if their cases warrant it, dates for reexamining their status should be set. At the date set for reexamination, the applicants should be reassessed to determine their eligibility for disability benefits. SSA did not act upon any of the report's recommendations.

Several methods used in the Johns Hopkins sample made the validity of its results questionable. First, the study was limited to the Baltimore area. Second, many of the sampled workers had passed retirement age or had become disability recipients due to awards after their original denials. Third, the university used methods to determine medical eligibility that did not parallel those used in the regular evaluation process for disability claims. These differences made the 24 percent eligibility rate unreliable.

SAMPLE OF APPLICANTS DENIED
DISABILITY BENEFITS

To determine if a recall program (similar to that recommended by Johns Hopkins) had merit, we took a statistical sample of the approximately 1 million substantive (medical) denials SSA made nationwide from 1967 through 1971.

After selecting a sample of 890 cases from SSA's files, we proceeded with the following sequence:

--SSA screened the 890 denials and determined that

1. 29 had been awarded benefits between the dates of their original denials and the start of our study,
2. 23 did not meet the social security quarters of coverage requirements, and
3. 15 had died.

--A questionnaire was mailed to the remaining 823 individuals to determine their current disabilities, earnings, understanding of the program, and desire to reapply for benefits.

--Of the individuals mailed questionnaires, 678 were reached. Of these, 244 reapplied for disability benefits. SSA awarded benefits to 37 of these persons.

We examined the files of the 37 individuals who received benefits as a result of our study and compared their impairments at the time they were awarded benefits to impairments they alleged at the time of their previous denials. Twenty-nine persons received benefits for various types of impairments that apparently had progressed to the point of disability since their original denials.

Consequently, we project that only about 4 percent of the individuals denied disability benefits for medical reasons would benefit from a systematic recall and reassessment procedure.

OTHER FINDINGS

SSA-applicant relationships

Of the individuals who completed and returned our questionnaire, about one-third did not understand that they could refile another claim after being denied disability benefits. SSA needs to place more emphasis on communicating (both in its correspondence and interviews) the applicants' rights after their claims are denied.

The disability program is very complex, involving (1) eligibility criteria which are difficult to understand and involve subjective medical and vocational evaluations, (2) various levels of reconsideration and appeal, and (3) agencies of both the Federal and State governments. This complexity, together with the low educational level of many individuals who apply for disability benefits, can cause applicants to misunderstand the program.

The individuals whose claims were awarded as a result of our study had an average of only 9 years of formal education. The assurance that an applicant understands his or her rights is important, because these individuals paid a portion of their earnings into a compulsory insurance system created to protect them during disability.

Forty-five individuals made unsolicited complaints about their dealings with SSA representatives. Some complained that they felt neglected or degraded. For example, one applicant wrote that the individual at the SSA office humiliated him and made him feel like he was asking for charity. Another individual wrote that when he first filed for disability, "they gave me a very hard time," and he believed his nerves could not stand the strain of another application process. Other complaints centered on misinformation received from SSA representatives. For example, one individual wrote that the SSA office told her that she would have to lose an organ or a limb to be eligible. Another wrote that he never reapplied for benefits because an SSA representative said it was hard for farmers to draw disability if they could drive trucks to the fields. He was awarded benefits as a result of our study.

Although the validity of certain individuals' comments may be questionable, the fact that 45 people expressed unsolicited complaints indicates this area needs attention. The training of SSA personnel who deal directly with applicants may need to be augmented to emphasize the best methods for communicating with medically impaired persons with limited educations.

Rehabilitation of applicants denied benefits

According to the Social Security Act, SSA must refer all disability applicants to State rehabilitation agencies for their services. The act states that this is "* * * to the end that the maximum number of such individuals may be rehabilitated into productive activity." The decision to actually provide rehabilitation services is then made by

the State agency involved. As an inducement to these State agencies, the act further provides an amount of money each year, not to exceed a certain percentage of total disability benefits, to finance the costs to the State agencies of rehabilitating disability beneficiaries. This is done to save the social security disability trust fund money. No social security money, however, is provided for rehabilitating applicants denied benefits.

In our study, 91.6 percent of the respondents said they had not received any vocational rehabilitation services. The present system of referring applicants denied benefits for rehabilitation services apparently has little impact on whether they get these services. New approaches for helping these applicants reenter the work force through rehabilitation may need to be considered.

Low earnings of applicants denied benefits

As a result of our study, 207 individuals reapplied for benefits and were again denied. Of these, about 50 percent had no earnings for an extended period of time, averaging nearly 5 years. An additional 24 percent had earnings, covered by social security, that were under the present substantial gainful activity level of \$2,400 for the latest year data was available.

The fact that almost 75 percent of those individuals denied benefits met the earnings requirement for eligibility because they were earning less than the substantial gainful activity level may indicate that the existing medical criteria are too stringent in all or some of the impairment categories. SSA should examine

- why many individuals determined ineligible for benefits earned below the level of substantial gainful activity,
- the possibilities for liberalizing the disability medical criteria, and
- the overall effects any liberalization would have on the operation of the disability program.

The need for automatic increases in the level of substantial gainful activity to reflect current economic conditions

At the start of our review in 1973, we were concerned that SSA was using \$1,680 as an estimate of substantial gainful

activity. We made several inquiries between July 1973 and May 1974 concerning why this level had been retained since 1968. Bureau of Disability Insurance officials agreed that this level should be increased, and in August 1974 the amount was raised to \$2,400. The social security retirement test is automatically increased to reflect upward trends in the country's cost of living and average wages, but no such adjustments are made for the disability earnings test. If \$1,680 represented the minimum substantial wage in 1968, it would no longer represent that minimum several years later, considering the increases in wages. Although SSA increased the substantial gainful activity level in 1974, it was a long time between increases. Consequently, safeguards should be built into the disability program to assure that determinations of both initial eligibility and continuing eligibility are made on the basis of currently applicable standards of substantial gainful activity. Automatic increases similar to those used for the retirement test could be used.

MATTERS FOR YOUR CONSIDERATION

A systematic recall and reassessment procedure for certain individuals denied disability benefits is apparently not warranted. If other problems are solved, the needs of SSA disability applicants may be better served. Specifically, we believe you should consider:

- Reworking the existing disability denial letters and taking steps to insure that interviews with applicants denied benefits emphasize the applicants' rights to appeal and reapplication.
- Evaluating the training of SSA district and branch office personnel, to insure the accurate and adequate communication of program information to disability applicants (who frequently have limited education).
- Providing for automatic increases in the level of earnings representing substantial gainful activity, perhaps based on annual increases in U.S. average annual earnings.
- Reviewing SSA's role in promoting the rehabilitation of applicants denied benefits.
- Studying the possibility and effects of liberalizing the medical requirements for disability eligibility

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to allow benefit payments to a greater number of insured individuals with medically documented impairments but not performing substantial gainful activity.

Some of the foregoing areas may also be applicable to persons applying for disability benefits under the Supplemental Security Income program.

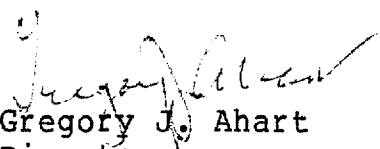
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As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions he has taken on our recommendations to the House and Senate Committees on Government Operations not later than 60 days after the date of the report and the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this letter to the Chairmen of the Government Operations and Appropriations Committees of the House of Representatives and the Senate. We are also sending copies of this letter to the Chairman, Subcommittee on Social Security, House Committee on Ways and Means, and to Congressmen John Breaux and H. John Heinz, III, at their request.

We will be pleased to discuss this report with you or your representatives.

Sincerely yours,


Gregory J. Ahart
Director