SOCIAL SECURITY DISABILITY INSURANCE

Information on Potential Implications of Expanding Private Disability Insurance

What GAO Found

GAO’s analysis found that coverage and key features of Social Security Disability Insurance (SSDI) and long-term employer-sponsored private disability insurance (PDI) differ in a number of ways. Key differences include the number of workers covered; characteristics of covered workers; and eligibility, benefits, and return to work assistance. For example:

- According to GAO’s analysis of Bureau of Labor Statistics and Social Security Administration (SSA) data, SSDI covers an estimated 96 percent of workers, while 33 percent of workers have PDI coverage through their employers. Also, PDI coverage is more prevalent among workers with higher wages (e.g., management positions) and in certain business sectors (e.g., finance).

- GAO’s review of SSDI and PDI policies found that some PDI policies may pay benefits for medical conditions that SSDI would not. However, these PDI policies may time limit payments for mental health and musculoskeletal disorders, while SSDI does not. In addition, while both SSDI and PDI policies include features designed to help beneficiaries return to work, PDI policies may provide such supports more quickly than SSDI.

GAO’s review of the literature identified three distinct proposals for expanding PDI that the proposals’ authors believe would address SSDI’s fiscal challenges. Specifically, all three proposals suggest that cost savings for the Disability Insurance Trust Fund could be expected by expanding PDI. According to the proposals, this would happen because expanding PDI would provide workers earlier access to cash and employment supports, which would reduce the number of SSDI claims or the length of time SSDI benefits are paid to claimants. However, GAO’s review of the three proposals noted that none of them provide enough information to assess how SSDI enrollment and costs might be affected with an expansion of PDI. Therefore, it is unclear whether cost savings to the Disability Insurance Trust Fund would actually be realized. For example:

- Insurers told GAO that it was unclear how expanding PDI would affect PDI premiums and the impact this would have on enrollment.

- Employers told GAO they were concerned about potential additional requirements or administrative burdens that would be placed on them if PDI were expanded.

- Employee and disability advocacy groups told GAO they were concerned about whether PDI expansion would provide standard services or employee protections currently available under SSDI, especially with respect to PDI expansion proposals that would replace SSDI for 2 years.