

# ***PERSONALLY SPEAKING***

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## **U.S. DISABILITY BENEFITS: TIME FOR RANDOM AUDITS**

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*Permission to quote is granted when the source is acknowledged.*

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**An estimated 28.3 million Americans 16 years of age and older claim to be disabled according to a recent report prepared by the Bureau of Labor Statistics. Of that number, 22.4 million are not in the civilian labor force. Among those in the labor force, the rate of unemployment is 13.4 percent. Whether in the labor force or not, most of the disabled – 81 percent -- are whites.**

**The Social Security Administration reported that 8.9 million workers currently are getting monthly disability insurance benefits. The average annualized benefit amounts to \$13,550. In addition, 158,000 spouses and 1.9 million children of disabled workers are receiving disability benefits. Annualized benefits for a family with a disabled worker and a spouse and two children with benefits equal \$25,246.**

**For everyone of the 10.9 million persons – workers, spouse, children – getting disability benefits the current annualized cost to the taxpayer is \$128.8 billion.**

**Within limits, SSA allows a person to work during a nine-month trial period without losing his/her disability benefits. The monthly earnings limit is \$1,040; for the blind it is \$1,740. SSA allows anyone who has completed the trial period to continue working with no interruption of disability benefits for another three years.**

**A disabled worker who earns \$1,000 a month and who has a spouse and two children with benefits has annual income for nearly four years of \$37,246. To match that income with no disability benefits, a person working year round full time would have to earn \$17.91 an hour.**

**The trustees of the disability insurance trust fund project that the fund's reserves will be depleted in 2016. Under those circumstances, they estimate that the continuing income to the fund will be sufficient to pay only 80 percent of scheduled benefits. The trustees are straightforward in their assessment of the trust fund which they say "does not satisfy the short-range test of financial adequacy."**

**One option available to rescue the program is to transfer monies from the General Fund of the Treasury. Precedent already has been set. Billions in general revenue reimbursements were necessary to sustain Social Security benefits through the 2011-2012 reduction in the payroll tax. What began years ago as a social insurance program to aid the disabled, which**

is characterized in part by a fund that is sustained entirely by an earmarked payroll tax, is transforming into a social assistance program supported by general tax revenues.

The problem with the disability program is that it has been growing by leaps and bounds. In 1965, which is nine years after the program was established, total benefits paid out amounted to \$1.6 billion. By 1990, benefit payments had risen to \$24.8 billion. Last year the trust fund paid out a total of \$136.9 billion in benefits. Not included in that total are administrative expenses of \$2.9 billion.

Since 2008, when the asset holdings of the trust fund peaked, the fund has shrunk by a total of \$93.1 billion. Thus the asset depletion crisis that the trustees expect in 2016.

It was reported by the *60 Minutes* program that aired on CBS on Sunday, October 6, that many of the recent applicants turned to disability benefits after they exhausted their unemployment insurance benefits. They live in rust-belt places where nothing has replaced the jobs lost to low-wage foreign manufacturers and tougher federal regulations.

Under those circumstances what incentive does a disabled worker, who through a combination of wages and disability payments including benefits for spouse and children in effect earns \$17.91 an hour, have to get off disability and accept a job that pays even *double* the current federal minimum wage of \$7.25 an hour?

Two other troubling questions come to mind. Is anyone systematically auditing the medical records to determine if those who are enrolled truly are disabled? Is anyone systematically auditing the payroll records to determine if those disabled persons who are working have earnings under the program limit? Without such audits performed regularly by an independent agent involving at least a random sample of program beneficiaries, there is no way of knowing for sure how much fraud is besetting the program and how much disincentive to work it is breeding.

It took a leading unemployment insurance research specialist 10 years to convince state governments and federal officials to institute random audits to detect the extent of improper payments. Improper payments include administrative mistakes and outright fraud. Among the 50 states in 2012 Rhode Island reported the lowest improper payment rate – 2.23 percent. The rate for the entire United States was five times higher.

Applying the U.S. rate for improper unemployment insurance benefit payments to disability benefit payments over the next ten years, estimated at ten times the actual benefits payout in 2012, yields an estimate of improper payments to disability beneficiaries amounting to \$139 billion. It's time for random audits.

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