

The Social Security Disability Insurance (SSDI) Program – A Short Primer

The McCrery-Pomeroy SSDI Solutions Initiative is a project dedicated to identifying practical policy changes to improve the Social Security Disability Insurance (SSDI) program and other services for people with disabilities. With the SSDI trust fund less than two years from depleting its reserves, these solutions can help spur a debate on how to ensure the SSDI program best serves workers with disabilities, those who pay into the program, and the economy more broadly. This brief is the first in a series that will outline the details of how the SSDI program works.

What is Social Security Disability Insurance (SSDI)?

Social Security Disability Insurance, or SSDI, is a component of the Social Security program. It provides cash benefits to insured workers below the retirement age who have a significant disability or illness that is expected to preclude substantial work in the labor market for at least a year or to result in death.

How Many Americans Collect SSDI Benefits, and Who Are They?

In 2015, roughly 11 million people, about 3 percent of the population, received SSDI benefits. Of those beneficiaries, roughly 9 million are workers with disabilities, and another 2 million are dependents – mainly children of workers with disabilities. The average age among the 9 million workers with disabilities is about 53, and men comprise a slightly higher share of beneficiaries than women. While many beneficiaries have multiple impairments, about one third have a primary diagnosis related to mental disorders, a similar share to musculoskeletal system and connective tissue diseases, and the remaining to a variety of other impairments.

How Does Someone Qualify to Receive SSDI?

To be eligible for SSDI, applicants must have a minimum number of years worked, both overall and in the recent years before the onset of disability. For example, a 62-year-old applicant must have worked 10 years in total, including 5 of the previous 10; work requirements are lower for younger applicants. To be awarded benefits, a worker must establish through medical evidence that he or she has a disability expected to last longer than a year (or result in death) and is, as a result, unable to engage in “substantial gainful activity,” generally defined as earning \$1,090 per month, or about \$13,000 per year.

How Much Do SSDI Beneficiaries Receive in Benefits?

SSDI benefits are based on prior earnings, replacing about half of a worker’s prior average wage-indexed earnings on average. Among workers with disabilities, benefits average about \$14,000 per year and closer to \$15,000 for new recipients. Benefits grow each year with inflation for existing beneficiaries but tend to grow with wages for new recipients. Beneficiaries are also eligible for Medicare after 24 months of eligibility, regardless of age. In total, SSDI benefits will cost about \$150 billion this year.

How is SSDI funded?

SSDI benefits are financed mainly through a 1.8 percent payroll tax – split evenly between employers and employees – on wages up to \$118,500. A small amount of additional funds comes from the partial income taxation of SSDI benefits from those with significant outside income and any interest payments earned on trust fund assets. These three sources are projected to generate about \$115 billion of income this year.

