Autor and Duggan, "Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System"

With the Social Security Disability Insurance (SSDI) trust fund projected to deplete its reserves in the next few years, there is increasing interest in identifying improvements to the program. The McCrery-Pomeroy SSDI Solutions Initiative commissioned 12 papers with solutions in our book SSDI Solutions: Ideas to Strengthen the Social Security Disability Insurance Program*; however, many proposals already exist. This brief summarizes one such proposal. You can read the full paper here.*

In a 2010 policy proposal written for the Center for American Progress and the Brookings Institution's Hamilton Project, David H. Autor and Mark Duggan propose leveraging the private disability insurance (PDI) market to accommodate workers with disabilities in the workforce and reduce the burdens on the current SSDI program. According to the authors, this move could generate net savings by reducing SSDI costs, or at least "provide a net benefit to U.S. workers" by reorienting resources spent supporting long-term dependency to assisting individuals with disabilities stay employed.

Recommendation – Private Disability Insurance

The authors recommend requiring employers to carry PDI policies for their employees, up to half of the costs of which could be charged to an employee's income. In the event of an employee incurring a disability, private insurers would pay for the first two years of disability, after which they could transition to SSDI. Because PDI premiums would reflect the number of employees receiving benefits, employers would have an incentive to provide more vocational rehabilitation services and workplace accommodations to employees with disabilities, reducing the number of people entering the SSDI program. In addition to this mandate, the following aspects would change from the current system:

- The waiting period for PDI benefits would be 90 days from the onset of disability (as opposed to SSDI's 5-month waiting period). During that time, the worker, employer, and insurer could develop a strategy of medical treatment and rehabilitation that would allow the worker to return to work. The medical eligibility criteria for SSDI would not change, and insurers would use a less stringent criteria for PDI.
- PDI would pay beneficiaries up to $2,500 or 60 percent of monthly wages – whichever is lower – and cover both employed and unemployed workers. If unemployed, beneficiaries would be paid at the state's unemployment insurance rate. Unemployed workers could purchase PDI to insure themselves, similar to the way COBRA works for health insurance; if a worker was uninsured for PDI but eligible for SSDI, they could receive a less-generous PDI policy paid for by a surcharge on private insurers.
- For long-term disabilities, PDI benefits would end at 27 months. Beneficiaries could apply for SSDI 21 months after incurring the disability, which would allow for a continuous flow of benefits while they wait for the 5-month SSDI waiting period to end.

By requiring employers to enroll employees in PDI that covers the first two years of disability, Autor and Duggan believe employers would have an incentive to provide accommodations and support early on that would be more likely to keep employees attached to the workforce. The financial burdens of PDI premiums and the limited nature of PDI would be offset by the increased productivity and public savings that result from workers with disabilities having more opportunities in the labor force.

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