

The rise of Disability Nation

What explains the growing numbers of Americans claiming they aren't healthy enough to work?

By Steve Prestegard



Those who observe federal government finance with despair are familiar with the Social Security and Medicare deficits.

Social Security is now paying more to beneficiaries than it is receiving in payroll taxes and is projected to no longer be able to pay full benefits by 2033. Medicare has, by the estimates of Social Security's trustees, \$42.9 trillion in unfunded obligations.

There is, however, a portion of Social Security that receives less attention but is more financially alarming. This Social Security deficit sheds unflattering light on the nation's employment picture, while also bringing up questions about Americans' work ethic.

The Social Security Disability Insurance program "faces the most immediate financing shortfall" of any trust fund, to use the words of the Social Security and Medicare trustees in their annual report. That trust fund is projected to be depleted in late 2016, the result of costs exceeding noninterest income since 2005.

One reason is Social Security fraud. Take Susan Schepp, 54, of Weston, near Wausau. According to the U.S. Attorney's Office for the Western District of Wisconsin, she took more than \$52,000 of her son's SSDI payments between 2001 and 2006 and gambled most of it away.

In May, Schepp was sentenced to six months in jail. Schepp's son, identified in court documents as "Jonathan," asked U.S. District Judge Barbara Crabb to sentence his mother to the maximum five-year prison term. Schepp's attorney asked for probation because a jail sentence would deprive her other son, Jonathan's twin brother, of his caregiver.

Stealing your own child's disability checks is one form of disability fraud. Another is misrepresenting your family situation. James Allen Mereness, 57, of New London, near Appleton, was sentenced to 10

months in prison and three years supervised release in 2013 for applying for benefits for his child.

According to the Social Security Office of the Inspector General, Mereness claimed the child lived with him when he lived instead with his mother and "had little or no contact with Mereness." Mereness used three years of payments, totaling \$39,866, to buy, among other things, a vehicle.

What would be worse? Claiming you have a disability when you don't.

Lawrence J. Popp, 58, of Greendale, in Milwaukee County, was sentenced to a year in prison in January

for collecting \$175,000 in disability payments by claiming he was blind. The *Milwaukee Journal Sentinel* reported that Popp was nonetheless able to run two small businesses and spend money on a \$25,000 diamond and emerald necklace and trips to the

The Disability Insurance Trust Fund is projected to be unable to pay full benefits by late 2016.

What are SSDI and SSI?

Social Security Disability Insurance pays benefits to disabled people who paid enough Social Security taxes to receive Social Security benefits. SSDI is funded by a 1.8% payroll tax, split between employer and employee, part of the 15.3% federal payroll tax that funds Social Security and Medicare.

Supplemental Security Income also pays disability benefits, but based on financial need, whereas SSDI has no means test. SSI, funded out of general government revenues, replaced several state-level disability programs that were run by the states but got federal funding in the 1970s.

Cayman Islands, according to his former wife.

Certainly, one could run businesses and spend money while legally blind. The *Journal Sentinel* reported that Popp was declared legally blind in 2004. But the *Journal Sentinel* also reported that Popp was still able to read small print on his cellphone and drive a car, snowmobile and boat. After a 2008 meeting with a Social Security Administration benefits reviewer, during which Popp repeatedly said he couldn't drive, Popp was seen on video driving away.

"The lies are just one after another," said Assistant U.S. Attorney Gordon Giampietro in U.S. District Court in Milwaukee. "This is a cynical abuse of a program truly geared to those who need assistance."

"Mr. Giampietro calls it a cynical abuse," said Raymond Dall'Osto, Popp's attorney. "I think it is more like getting caught with his hand in the cookie jar."

No one favors someone's fraudulently receiving government benefits. And it's doubtful that anyone begrudges disability payments for someone who is truly so disabled that he or she cannot work. But the growth in the number of Americans receiving SSDI benefits represents a growing problem itself.

Between 2010 and the beginning of this year, the

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number of SSDI beneficiaries increased 10%, from 10 million to 11 million. During that time, the U.S. population increased about 2.5%.

SSDI is funded by Social Security payroll taxes. Another disability program, Supplemental Security

Income, is financed out of general tax revenues, not by payroll taxes. That program has also seen dramatic growth, from 4 million when it was created in 1974 to 8 million now, according to the Congressional Budget Office.



The landmark Americans with Disabilities Act, enacted in 1990, was supposed to expand job opportunities for the disabled.

An opinion expressed in the My Disability Blog, disabilityblogger.blogspot.com, may demonstrate one facet of the problem. The blogger's wife, a Social Security claims representative, was contacted by someone seeking to report fraud, claiming that a neighbor on disability could take trash to the curb and carry groceries out of a car.

"I tend to get very irritated when I hear or read about nonsense like this, and I really have to wonder why some individuals have nothing better to do than consider the legitimacy or illegitimacy of someone else's disability status," the blogger wrote, suggesting that the would-be complainant didn't know why the neighbor was on disability or for what kind of disability, including what he called "invisible disabilities."

If it is inappropriate to question whether someone should be on disability, is it inappropriate to question the simple math of an increase in recipients at four times the rate of population growth?

The Secretary's Innovation

Group doesn't think so. This is a national organization of state human services and work force secretaries led by Eloise Anderson, secretary of the Wisconsin Department of Children and Families. The group issued a study in 2013, *Reforming Disability*, which argues that major reforms are needed in SSDI and SSI.

Reforming Disability opens by stating that "growth in disability has become unsustainable" because more and more people who have health-related limitations are working less and instead enrolling in disability programs. "Together, these programs are engulfing evermore numbers into lives of permanent dependency, all with no evidence there is some national health epidemic."

All the more disconcerting, the trend flies in the face of the landmark Americans with Disabilities Act. Enacted in 1990, the act requires employers of 15 or more people to provide people with disabilities an "equal opportunity to benefit from the full range of employment-related opportunities," both in recruitment and after hiring.

Reforming Disability notes that recipients rarely exit the SSDI and SSI programs and return to work, despite the low level of benefits, which "condemns most of these recipients to straitened family financial

circumstances over their lifetimes."

SSDI benefit payments averaged \$1,130 per month in 2012, according to the SSA.

Disability status doesn't even benefit the programs'

intended beneficiaries very well, the report argues. The "lives of permanent dependency" contrast with the benefits of work: "Work keeps individuals active, socially connected to others as part of workplace and community, better parents at home, and accessible to new opportunities of all kinds. Work occupies time in constructive activities that form the concrete part of the day. Work's absence causes a decline in physical and mental health; individuals are usually less employable over time and more likely to experience isolation and depression."

Some attribute the upswing in disability claims and recipients to an increase in the number of women in the work force — only workers can get disability — and an older work force. Women who were housewives could not get disability, so, the theory goes, the more women in the work force, the more women who will qualify for disability.

"Both of these observations are fine, but they don't explain the spike,"

says Jason Turner, the Secretary's Innovation Group's executive director. His explanation for the majority of the spike: "Loosening standards and an increase in putting older people on disability after they lose their job."

The number of people receiving SSDI disability benefits — workers, their surviving spouses and their children — has doubled since 1995, from 5 million to almost 10.1 million. In those years, the U.S. population has increased 19%, and the U.S. work



A primer on disability

A disability, as defined by SSDI and SSI, is a condition expected to last at least a year or result in death that prevents working at a “substantial gainful activity,” defined as the inability for an individual to work at his or her previous job and to earn at least \$1,070 in monthly gross income, or \$1,800 monthly for blind people, at any job.

The standard for children is a physical or mental condition that “very seriously limits his or her activities” and is expected to last at least 12 months or result in death.

The most common disability in Wisconsin is “mental disorders,” which account for 71,788 claims. This exceeds the population of Waukesha. Next are “diseases of the musculoskeletal system and connective tissue,” totaling 45,618, almost the population of Wauwatosa.

Reforming Disability, a national study of federal disability programs, says these two conditions account for nearly two-thirds of disability determinations in Wisconsin and more than half nationally, versus only one-fifth of the claims nationally 35 years ago.

In Wisconsin, the state Disability Determination Bureau decides whether an applicant can get disability. But the bureau doesn’t have the last word.

“If you’re denied initially, there’s a first appeal called redetermination, which is more or less a paper appeal,” says Dan Lenz, an attorney with Lawton & Cates in Madison. The next level of appeal is to an administrative law judge, followed by “stages of appeal after that if you’re denied,” says Lenz.

“In a typical case, it’s really rare that we’re talking about misdiagnoses. The question is the extent of the disability,” he says. “Judges aren’t supposed to make medical diagnoses; they’re supposed to determine the extent of the disability [and] whether the claimant’s claim of the extent of symptoms is credible.”

State Social Security offices have a reversal rate of 35%, less than the national average of 44%, Lenz says. – S.P.

force has increased by 17%.

“People on disability used to be outliers, and now they’re an increasing part of the population,” says Turner.

Nationally, 49% of workers on SSDI disability are ages 55 to 65, according to the SSA.

The growth in disability recipients makes the employment picture better than it actually is, Turner says, since people on disability are not counted in employment or unemployment statistics.

“Half of the people on disability should be added to the labor force,” he asserts.

The Social Security disability system has roles for both the federal government and the states.

The initial determination of who meets the SSDI definition of disability is made by the Wisconsin Department of Health Services Disability Determination Bureau and its counterparts in other states. The bureau collects medical evidence and other information to make a determination based on the federal standard of disability.

In Wisconsin, the most recent statistics available from the SSA show that 4.8% of Wisconsinites ages 18 to 49 were receiving SSDI disability benefits. The percentage of adults 18 to 49 on disability ranges from



2.9% in Alaska and Hawaii to 9% in West Virginia.

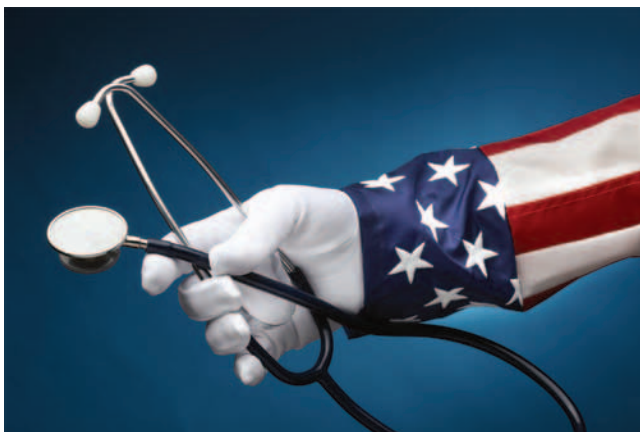
That 4.8 percent comprises 183,169 Wisconsinites — more than the combined populations of Kenosha and Racine.

Even more alarming to Turner is the percentage of working-age adults on disability in major cities, including 19% in Detroit and 13% in Philadelphia.

“One in five working-age people on disability, and they’re their neighbors — that’s really a danger,” he says. “Once welfare became normalized, it really exploded. The same thing happened with food stamps. That’s what’s happening with SSI and SSDI.”

The Disability Insurance Trust Fund is projected to be unable to pay full benefits by late 2016. The last time that happened, in 1994, Congress reallocated the payroll tax rate split between Social Security for retirees and disability benefit funding.

But reallocating funds or increasing revenue by increasing the payroll tax rate of 15.3% (split between employers and employees) or raising or eliminating the income cap of \$117,000 doesn’t get to the heart of the problem, the Secretary’s Innovation Group believes.



“You have to completely revamp the standards for getting on disability,” says Turner.

In essence, the secretaries believe disability reform needs to take place on the level of welfare reform

pioneered by Wisconsin Gov. Tommy Thompson in the 1990s.

Reforming Disability proposes shifting disability programs to the states in the model of the Temporary

The national reform movement is led by Eloise Anderson of the Wisconsin Department of Children and Families.

Assistance for Needy Families program created in the 1990s. It also proposes mandating minimum long-term disability coverage levels, creating alternatives to permanent disability, requiring involvement of a disability manager to determine alternatives to disability after applications are made, and creating portable income-replacement accounts for employees, funded by employer and employee contributions.

Turner, who led the group that created Wisconsin Works, the work-based alternative to welfare, says that the welfare reform mantra was, “For those who can work, only work should pay.”

“The left agreed ... that work is preferable to welfare. Now, you don’t see them agreeing with the premise. Basically what they’re saying is: ‘There’s no obligation of the individual. All the obligation is on society.’”

Disability is becoming just another part of the welfare system, Turner says. This concerns him and worries the secretaries group.

“Once work becomes a Republican issue and the safety net becomes a Democratic issue, we’ve really lost something as a country,” he says, sounding none-too optimistic. ■

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