A New Approach to Disability Benefits

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It is helpful to have a general understanding of the U.S.'s two existing, large, disability benefits programs—SSDI and SSI—in order to fashion and assess improvements in disability policy. Here, summaries of the current SSDI and SSI programs provide an introduction to a set of recommendations for shaping a new national disability insurance program.

Summary of Social Security Disability Insurance (SSDI)

Eligibility

To qualify for SSDI, an individual must have worked long enough in jobs covered by Social Security. Two work tests apply: a Recent Work test and a Duration of Work test. Both use the SSDI applicant's age at the time of application as the variable to set different eligibility rules.

The Recent Work Test: For the youngest workers (prior to age 24), eligibility requires 1.5 years of work during the three-year period prior to the calendar year quarter when the disability began. For an intermediate group of workers (ages 24-30), eligibility requires work half of the time between age 21 and the quarter when the disability began. For older workers (ages 31 and older), eligibility requires work during at least 5 years of the 10 years preceding the start of the disability.[1]

Duration of Work Test: SSDI also requires applicants to have worked at least a specified number of years in covered jobs in order to receive benefits. The following table provides examples, based on the age when disability occurs, of how much work the applicant must have done to qualify:[2]

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[1] Social Security Administration, "How Do I Meet the Earnings Test for Disability Benefits?" *Disability Benefits*, Publication No. 05-10029, January 2017, p. 2, https://www.ssa.gov/pubs/EN-05-10029.pdf

[2] *Id.,* p. 3. The Social Security Administration warns that the table does not cover all situations.

[3] *Id*., p. 7.

[4] *Id*.

[5] *Id*., p. 8. The Social Security Administration warns that the table does not cover all situations.

[6] *Id*.

[7] Social Security, *Selected Data From Social Security's Disability Program*, https://www.ssa.gov/oact/STATS/dibStat.html

[8] *Id*.

[9] Social Security, "Number in Current Payment Status at End of Month," *Selected Data*

If you become disabled...	Then you generally need:
Before age 28	1.5 years of work
Age 30	2 years
Age 34	3 years
Age 38	4 years
Age 42	5 years
Age 44	5.5 years
Age 46	6 years
Age 48	6.5 years
Age 50	7 years
Age 52	7.5 years
Age 54	8 years
Age 56	8.5 years
Age 58	9 years
Age 60	9.5 years

The applicant of course must also have a medical condition that meets Social Security's definition of disability: "a medical condition severe enough to prevent a person from completing substantial gainful activity, regardless of age, education, or work experience." This means a medical condition that will significantly limit [the applicant's] ability to do basic work activities — such as lifting, standing, walking, sitting, and remembering — for at least 12 months."[3]

Social Security has a "list of impairments" that by definition result in a disability classification. If the severity of the applicant's medical condition meets or equals a listed impairment, then Social Security *automatically* classifies the applicant as having a qualifying disability. An applicant who is not automatically so classified, however, still has a chance to obtain SSDI benefits.[4]

Yet another two-part work test kicks in, which may—or may not—result in a disability classification. The agency starts by deciding if the applicant's medical condition prevents the applicant from performing past work. If the applicant can perform past work, the application for SSDI is rejected. If the applicant is unable to perform past work, one more step—a final up-or-down decision—remains.[5]

Can the applicant nonetheless perform "other work" after taking into account the applicant's "age, education, past work experience, and any skills … that could be used to do other work." If Social Security decides that the applicant's impairment does indeed prevent other work, the applicant has a qualifying disability and will receive SSI benefits. If the impairment does not prevent other work, the application is rejected.[6]

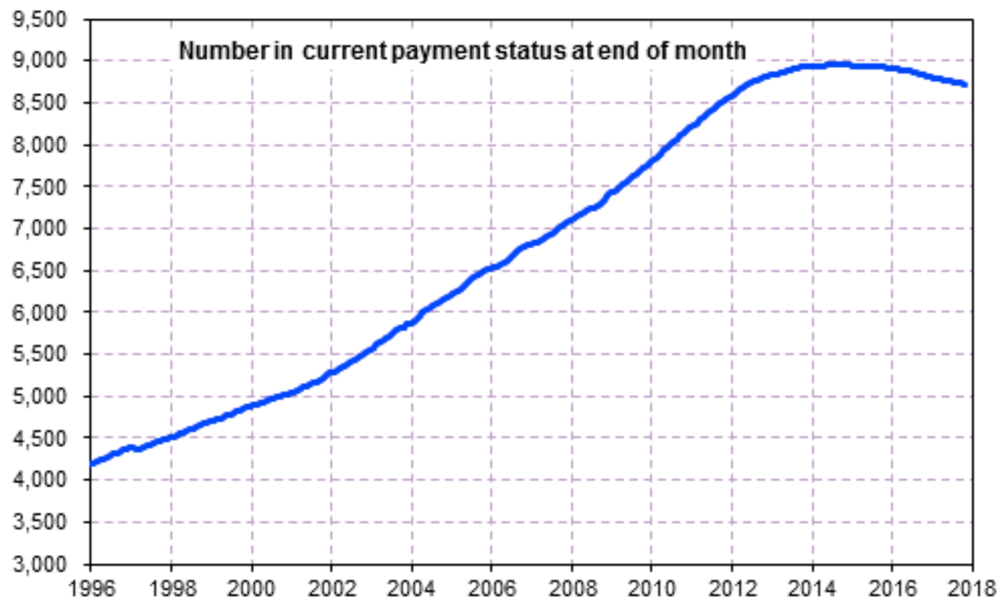
[3] *Id*., p. 7.
[4] *Id*.
[5] *Id*., p. 8.
[6] *Id*.

Enrollment

In 2016, SSDI received over 2.3 million applications. It awarded benefits to roughly 744,000 (32%). At year's end, the SSDI caseload stood at 8.8 million persons. SSDI's numbers have been far from flat. During the last 15 years, the program has experienced both sharp increases and decreases.[7]

The number of applications rose sharply during the first decade of the 21st century (especially during the Great Recession), but fell steadily in recent years to pre-recession levels. The number of awards climbed from 750,000 in 2002 to well over 1 million in 2010, but in the last five years dropped steadily, by 25%, to less than the 2002 level. The total of those receiving benefits at year's end jumped from 5.5 million in 2002 to nearly 9.0 million in 2014, then reversed course and dropped at an accelerating rate to its 2016 level of 8.8 million.[8]

The following chart provides a snapshot of the rise and decline in the number of persons receiving SSDI benefits:[9]



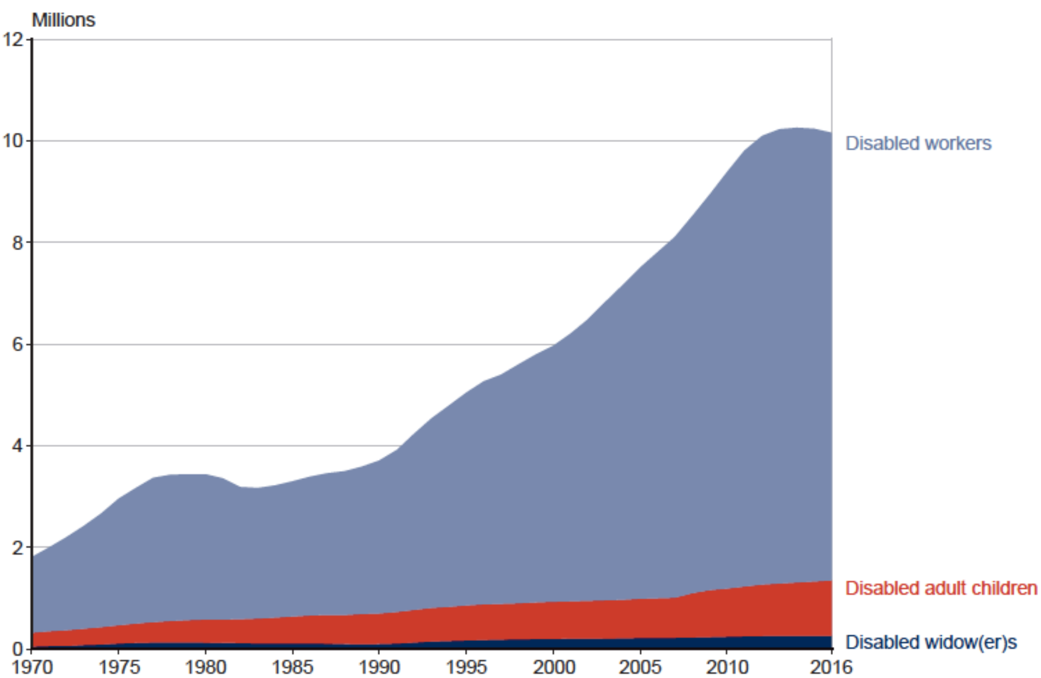
The preceding figures apply to the largest component of the SSDI program, which assists "disabled workers" and accounts for 87% of all recipients. In addition, SSDI provides monthly benefits to what it defines as "disabled widows/widowers" and "disabled adult

[7] Social Security, *Selected Data From Social Security's Disability Program*, https://www.ssa.gov/oact/STATS/dibStat.html
[8] *Id*.
[9] Social Security, "Number in Current Payment Status at End of Month," *Selected Data From Social Security's Disability Program*, https://www.ssa.gov/oact/STATS/dibGraphs.html#3

children." These smaller pieces of SSDI respectively cover approximately 260,000 and 1.1 million recipients, or 2.6% and 10.7% of the total.[10]

All components of SSDI have grown in recent decades. Increases in the number of recipients have occurred during both "good times" such as the late 1990s and "bad times" such as the Great Recession. The rate of increase has been greatest—as has been, during the last few years, the rate of decrease—in SSDI's largest program for disabled workers. The following chart tells the full story:[11]

All Social Security Disabled Beneficiaries in Current Payment Status: 1970–2016



Benefits

How much do SSDI beneficiaries receive? It depends. The program provides awards to three categories: (1) disabled workers, (2) disabled widows or widowers, and (3) disabled adult children. Men generally get bigger benefits than women, reflecting the fact that men typically earn more than women; but the reverse is true for disabled widowers and

[10] Social Security Administration, "Number, Average, and Total Monthly Benefits," *Annual Statistical Support on the Social Security Disability Program: 2016,* SSA Publication No. 13-11826, Table 4, p. 22, October 2017, https://www.ssa.gov/policy/docs/statcomps/di_asr/2016/di_asr16.pdf

[11] *Id.,* "All Social Security Disabled Beneficiaries in Current -Payment Status: December 1970–2016," Chart 2, p. 12.

disabled adult male children, who receive smaller SSDI awards than disabled widows and disabled adult female children. In December 2016, average monthly payments were as follows:[12]

- All categories of SSDI recipients
  - Both sexes: $1,116
  - Men: $1,227
  - Women: $1,002

- Disabled Workers:
  - Both sexes: $1,171
  - Men: $1,293
  - Women $1,043

- Disabled Widows or Widowers:
  - Both sexes: $ 718
  - Men $ 535
  - Women $ 732

- Disabled Adult Children
  - Both sexes: $ 762
  - Men $ 755
  - Women $ 770

The average payment for an SSDSI recipient is of course not what any particular SSDI recipient actually gets each month. Each recipient's award depends not only on the recipient's "category" (as mentioned above) but also on a complex formula. After the Social Security Administration calculates the worker's Average Index Monthly Earnings (AIME), it multiplies different slices of the AIME (the first $856, the next $4,301, and the balance) by declining percentages (90%, 32%, and 15%, respectively) to derive a Primary Insurance Amount (PIA). To establish what might be considered a "target" monthly payment, the PIA is then adjusted for the recipient's family size, up to Family Maximum (FMAX). Finally, depending on whether the recipient retires prior to the Full Retirement Age (FRA) of 62, or retires at the FRA, the "target" monthly payment's PIA and FMAX are reduced or kept, and the result becomes the recipient's Monthly Benefit Amount (MBA). (In future years, the PIA and FMAX are adjusted for inflation.)[13]

The SSDI benefits that some workers must rely on as their primary—perhaps their only—source of income can be quite low. This is especially true for younger workers:[14]

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[12] *Id*. Table 4, p. 22.
[13] *Id.,* "Benefit Calculations," pp. 4-5.
[14] *Id*., "Number, Average Primary Insurance Amount, and Average Monthly Benefit, by Age and Sex, December 2016," Table 20, p. 61.

- In December 2016, the average monthly payment for disabled workers under 25 was $603; for men, it was $611; for women, it was $587.

- The same month, even workers in their late 30s (between 35-39) averaged payments of only $930; for men, it was $957; for women, it was $902.

The following table, prepared by the Social Security Administration, shows which SSDI recipients, by age and sex, received how much in monthly payments on average:

Age	Total			Men			Women		
	Number	Average PIA (dollars)	Average monthly benefit (dollars)	Number	Average PIA (dollars)	Average monthly benefit (dollars)	Number	Average PIA (dollars)	Average monthly benefit (dollars)
All disabled workers	8,808,736	1,175.21	1,171.15	4,510,579	1,298.62	1,293.38	4,298,157	1,045.70	1,042.87
Under 25	26,211	598.86	603.28	15,817	606.77	611.13	10,394	586.83	591.32
25–29	125,164	717.15	720.33	72,108	732.76	735.86	53,056	695.93	699.22
30–34	257,393	839.02	839.78	140,964	861.70	862.19	116,429	811.57	812.64
35–39	401,190	930.79	929.79	204,986	958.80	957.49	196,204	901.52	900.86
40–44	531,315	1,005.27	1,002.75	261,282	1,054.32	1,051.00	270,033	957.81	956.06
45–49	831,965	1,067.81	1,064.41	413,982	1,140.42	1,136.17	417,983	995.90	993.34
50–54	1,371,926	1,129.01	1,124.51	687,273	1,230.40	1,224.91	684,653	1,027.22	1,023.73
55–59	2,168,687	1,214.08	1,209.10	1,105,255	1,352.59	1,346.32	1,063,432	1,070.12	1,066.49
60–64	2,599,312	1,303.24	1,298.75	1,348,227	1,475.78	1,469.79	1,251,085	1,117.30	1,114.43
65–FRA	495,573	1,342.57	1,336.02	260,685	1,531.40	1,522.67	234,888	1,133.00	1,128.88

Summary of Supplemental Security Income (SSI)

Eligibility

To qualify for SSI, an individual must have "low income" and either (1) have a disability, (2) be blind, or (3) be 65 or older.

The definition of "low income" is complex.[15] Most income—but not all—is counted. SSI adds up wages, Unemployment Insurance benefits, private pensions, and Social Security benefits. But the program either must or may exclude wages that a:

- Disabled person uses to pay for items or services that help the person to work, e.g., a wheelchair.

- Blind person spends for work expenses, e.g., to pay for transportation to and from work.

[15] Social Security Administration, *Supplemental Security Income (SSI)*, https://www.ssa.gov/pubs/EN-05-11000.pdf

Further, the Social Security Administration disregards (i.e., does not count) the first $20 per month, the first $65 per month earned from working, and 50% of earnings that exceed $65 per month. Also ignored: income tax refunds, SNAP (Food Stamp) benefits, home energy assistance, education grants and scholarships, and more.[16]

On the other hand, the program includes as income part of a spouse's income. SSI eligibility also factors in an applicant's assets. The valuation of assets does not take into account an applicant's home, car (usually), life insurance worth $1,500 or less, or burial fund of $1,500 plus another $1,500 for a spouse. But other assets are added up, such as cash on hand, bank accounts, stocks, bonds, and real estate. If they exceed $2,000 (or, if married, $3,000), the applicant's SSI application will be denied.[17]

According to the Social Security Administration, "ineligibility for SSI occurs when countable income equals the federal benefit rate plus the amount of applicable federally administered state supplementary payment."[18] A variety of non-monetary factors may also decide whether an individual qualifies—or fails to qualify—for SSI.[19]

Despite the complexity that surrounds SSI eligibility determination, its definitions and requirements are nationally uniform. SSI's federal payment standards (discussed below) are also uniform.[20]

Enrollment

Compared to the number of SSDI recipients, the number of SSI recipients is smaller. Nonetheless, SSI enrollment is substantial. In December 2015, 8.3 million individuals received federally administered monthly SSI benefits (including federally administered state supplementary payments) averaging $541.[21] Of the total receiving federal payments,

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[16] Social Security Administration, "Supplemental Security Income (SSI) Income, *Understanding Supplemental Security Income Home Page-2017 Edition,* https://www.ssa.gov/ssi/text-resources-ussi.htm and https://www.ssa.gov/ssi/text-income-ussi.htm

[17] Social Security Administration, "Supplemental Security Income (SSI) Resources, *Understanding Supplemental Security Income Home Page-2017 Edition,* https://www.ssa.gov/ssi/text-resources-ussi.htm

[18] Social Security Administration, "Background: Assistance of Last Resort: Income" *SSI Annual Statistical Report, 2015*, SSA Publication No. 13-11827, January 2917, p. 3, https://www.ssa.gov/policy/docs/statcomps/ssi_asr/2015/ssi_asr15.pdf

[19] *Id.,* "Background: Uniform Standards and Objective Criteria," p. 2.

[20] *Id.*, "Background: The Basic Plan," p. 1, and "Background: Uniform Standards and Objective Criteria," pp. 1-2. The Federal Benefit Rate referred to in the prior paragraph sometimes also called the SSI Standard Benefit Amount, is the same as the Federal Payment Standard discussed here and explained further below.

[21] *Id.*, "Background," p. 1.

roughly 1.3 million (15%) were under age 18; 4.9 million (59%) were 18-64; and 2.2 million (26%) were 65 or older.[22]

The vast majority, 7.1 million individuals accounting for $4.2 billion in total spending, qualified because of a disability. The blind category involved only 68,000 individuals and $39 million in spending. The aged category included 1.2 million individuals and resulted in $496 million in spending.[23]

Benefits

Individuals who qualify for SSI receive benefits whose calculation starts—but does not finish—with the federal payment standard shown below: [24]

SSI Federal Payment Standard

	2016	**2017**
Individual	$ 733/mo.	$ 735/mo.
Couple	$1,100/mo.	$1,103/mo.

The payment standards are not what any particular individual or couple will necessarily receive. SSI by definition *supplements* other income. What an individual or couple actually gets each month is: the applicable payment standards *minus* "countable income," which in turn—as explained above—is the sum of specific types (but not all) income less the total of various exclusions.

Once the SSI benefit calculation is complete, the federal government both makes and funds the resulting payments. In addition, most states top up federal SSI payment with their own supplemental payments.[25]

[22] *Id.*, "Recipients by Age: December 1974-2015," Table 4, p. 25.
[23] *Id.*, "By Type of Payment, Sex, Eligibility Category, and Age: December 2015," Table 5, p. 26.
[24] Social Security Administration, "2017 Social Security Changes," *Fact Sheet*, https://www.ssa.gov/news/press/factsheets/colafacts2017.pdf.
[25] SSI permits states to provide an additional supplement. Most do, but the supplements are generally modest. "Every state except Arizona, Mississippi, North Dakota, and West Virginia currently pays a state supplement to its disabled residents who receive SSI. … Each state makes up its own rules about how much the monthly supplement is and who is entitled to the supplement. The amount of the state supplement ranges from $10 to $200, depending on the state. In addition, states often vary the amount of the supplement

The terminology and structure of the SSI program can thus be confusing. On top of a federal income supplement, some states provide a further supplement. The supplement is thus supplemented.

To make matters more confusing, SSI is administered by the Social Security Administration, but it is not truly a part of the Social Security program.

Rather, SSI is financed with general funds from the U.S. Treasury rather than Social Security payroll taxes. It has no social insurance component. It is thus fundamentally unlike SSDI, Social Security retirement, and Medicare.

Also unlike SSDI, Social Security retirement, and Medicare, the prior work experience of SSI applicants has no bearing at all on whether they qualify and how much they may receive. Neither prior work quarters, nor earnings per quarter, nor any other dimension of prior work has any impact on the determination of SSI eligibility or benefits.

In short, SSI is a means-tested welfare program. Sufficiently low "countable" income and assets, together with satisfaction of various non-money tests (e.g., disability, blindness, age), are the criteria for SSI eligibility. The lower the "countable" income, the greater—though hardly large—the SSI benefit. As an individual's income improves, SSI benefits phase out and can eventually disappear. Although often twinned with SSDI and (as here) discussed in the same context, SSI belongs in the same category as other means-tested welfare programs, such as TANF, SNAP (Food Stamps), LIHEAP, and Medicaid.

<u>The Shape of a New National Disability Insurance Program</u>

To ensure that all American adults who truly cannot work because of a serious disability have a minimally adequate income, while at the same time encouraging disability benefit recipients to pursue wage-paying employment and deterring unjustified applications, a new U.S. disability insurance program should be created. It should fold the Supplemental Security Income (SSI) program into the Social Security Disability Insurance (SSDI) program, and be based on the following policies.

A Single Program—SSDI—for Americans with Severe Disabilities

If an American has so severe a disability that the individual truly cannot be expected to

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depending on whether you are single or married and on whether you live in a nursing home, assisted living, or on your own. … The Social Security Administration administers the state supplement for some states. The states with Social Security-administered supplemental payments are: California, Delaware, District of Columbia, Hawaii, Iowa, Michigan, Montana, Nevada, New Jersey, Pennsylvania, Rhode Island, and Vermont." See Beth Laurence, "What Are State Supplemental Benefits for SSI Disability?" *Disability Secrets,* https://www.disabilitysecrets.com/dnewsblog/2010/01/what-are-ssi-disability-state.html work at either a prior job or a different job, that person should receive financial help through a single, simple program. SSI should be absorbed into SSDI. The combined program should retain the name Social Security Disability Insurance (SSDI). It makes no sense to operate two separate federal programs for adults with exactly the same problem: they have a serious disability that prevents them from working. It is a waste of money to maintain two separate bureaucracies, and to implement two overlapping but often quite different sets of rules.

For the most part, the social insurance logic of the larger existing program—SSDI—would apply. Most beneficiaries of the single program will have paid in. Their prior work experience will remain a major factor in calculating monthly benefits. Thus (as with both SSI and SSDI), the program should continue to be run by the U.S. Social Security Administration.

Eligibility

As with the two current programs, eligibility should be based on an adult individual's inability to work in a wage-paying job because of a severe disability. To the extent that current program rules (whether SSI's or SSDI's) deny eligibility to an American who truly cannot work because of a severe disability, those rules should be dropped or changed.

Minimum Payment Well Above the Poverty Line

If an individual qualifies for a disability benefit, the minimum payment should be well above the poverty line. There is no moral or policy argument for deciding that an American adult has such a profound disability that the person cannot work for a living, but then handing over a disability payment that is so low that the person is stuck in poverty.

How much should SSDI recipients receive? As under current SSDI law, it should depend on the level of social insurance contribution. Those who have not made the minimum required contribution to the program as measured by SSDI's current device of counting calendar-year quarters and quarterly earnings (or some other similar mechanism for gauging the individuals' levels of prior work effort or social insurance contribution) would receive the least. Those who have worked or contributed more would receive proportionally larger payments, up to a maximum. Benefits would be calibrated as percentages between 75%-90% of the amount Americans say is the minimum needed to "get by." This means (as explained in Appendix H, "Defining an Adequate Income") 75% to 90% of $27,500 for a single person, $33,500 for an adult with one child, and so forth, in 2017 dollars.

Balancing Sufficiency and Incentives

The choice of setting payments at 75% to 90% of the full amount needed to "get by" is meant to strike a balance between sufficiency and incentives.

It would provide a monthly benefit well above the poverty line and close to the targeted "get by" amount. It would also produce an appropriate reward for workers who have paid more into the system. Thus, like the current SSDI formula, the 75% to 90% continuum of payments is meant to create an incentive to work for as long as possible.

Capping the new SSDI payment at 90% of the full amount needed to "get by" also creates a further incentive to work. Based on the proposed $12 per hour minimum wage and the proposed new Earnings Supplement, SSDI recipients who find they can work in a wage-paying job would see that, in lieu of receiving disability benefits, they would be have a substantially higher net income by working in Transitional Job. They would have an even larger income by working in virtually all jobs in the regular labor market. Applicants and potential applicants to SSI would equally face the same calculus, and thus they would have the same incentive to forgo disability benefits for wage-payment employment.

Right to Convert Disability Payments from Cash to Wages (and to Revert)

Many—perhaps most—SSDI recipients have such severe disabilities that their working in any job is impossible. Yet others want to work. Some of them are indeed capable of performing part-time if not full-time work, for a portion of the year if not the entire year. It is not always obvious to either SSDI recipients themselves or outside reviewers, however, exactly which specific SSDI recipients who desire or seek employment are capable of performing what kind of work, for how many hours in the day or days of the week, and for how long over the course of a year. Furthermore, the SSDI recipient's specific disability may hamper the individual's level of productivity, possibly holding it below the level required to justify payment of the applicable minimum wage, a problem that may continue indefinitely or last only a short spell.

It may thus be impossible to discern in advance whether a particular SSDI recipient who wants to work, and pursues work, can actually succeed well enough in the labor market to leave disability benefits behind and permanently attach to the labor market. Recipients frequently cannot predict. The longer they have been out of the labor market, the harder it is for them to predict. Reviewers have assessment tools, but they do not peer into crystal balls that perfectly foretell the future. SSDI recipients, in fear of the dreadful consequences of losing disability cash benefits prior to successful attachment to the labor market, may quite reasonably hesitate to put their benefits at risk by gambling on success in a job. That fear is compounded by the fact that the SSDI program now makes its recipients eligible for Medicare, while leaving the program for a job *may* in time result in loss of Medicare.[26]

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[26] Social Security Administration, "Questions and Answers on Extended Medicare Coverage for Working People with Disabilities," https://www.ssa.gov/disabilityresearch/wi/extended.htm

SSDI has adopted programs, like Ticket to Work, that seek to drive out the fear of lost cash payments and Medicare coverage by reducing the risk of a failed attachment to the job market.[27]

But an additional tool, and a potentially powerful one, has not been tried. Current law does not give SSDI recipients the right to:

A. Choose to convert their monthly cash grants into wages paid in a Transitional Job;

B. Do so without time limits or loss of health insurance coverage; and

C. Automatically re-convert back to a cash grant if they decide the TJ experience is not the right choice.

Such a TJ feature, operating fiscally within the SSDI program itself but whose jobs are offered as part of a national Transitional Job guarantee program, would enable additional SSDI recipients to "try out" work without risking their income in the event that holding down a wage-paying job is not possible (at least for the moment) and without risking loss of health insurance coverage.

SSDI recipients, in deciding whether to convert their cash grants to TJ wages, would be fully informed of the pros and cons. To reduce the fear of an uncertain future in the labor market, SSDI recipients' right to convert would not be a one-way street. At any time, for any reason, they could go back to getting cash grants without penalty. Later, at any time, they could again try out a wage-paying job.[28]

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[27] The Ticket to Work program provides a Trial Work Period (TWP), lasting nine months of more, during which SSDI recipients can retain their full cash benefits no matter how much they earn. If an SSDI recipient subsequently loses benefits, the Ticket to Work program simplifies the process of seeking to regain them by making a new application unnecessary. In addition, the ex-recipients are temporarily guaranteed their prior benefit levels for six months. However, the Ticket to Work program does not permanently guarantee restoration of prior benefits. Once the TWP ends, SSDI recipients who previously had Medicare coverage can continue to be covered under Medicare for 93 months (almost 8 years), but no longer. See: Social Security Administration, "Work Incentives," *Ticket to Work,* https://choosework.ssa.gov/about/work-incentives/index.html, and "Frequently Asked Questions," *Ticket to Work*, FAQ # 15, https://choosework.ssa.gov/about/faqs/index.html

[28] This proposal assumes that the provision of both cash grants and TJ wages would occur within the SSDI program, thus entitling both types of SSDI recipients to maintain Medicare coverage on the same terms. The next paragraph addresses another health insurance policy that would reduce the fear of leaving SSDI. SSDI recipients who leave the SSDI program altogether, and succeed in attaching themselves to unsubsidized jobs in the regular labor market, would like all under-65 Americans be enrolled in YoungMedicare.

Incentives to Work

Under such a Grant-to-Wages Conversion policy, the gross amount that SSDI recipients would receive would remain the same. But the net amount would be higher because of the interaction of payroll taxes and the proposed new Earning Supplement. An individual's wages would be docked by the payroll taxes that they must pay (7.65% of earnings), just like all other wage earners. Their net incomes, however, would be substantially higher. Their earnings would enable them to claim the much larger refundable federal Earning Supplement tax credit described in the discussion of economic security. A big piece of the Earnings Supplement would be periodically added to their income, with the balance set aside for "mini-lump" and final lump sum payments. On a month-to-month cash flow basis, as well as on a total income basis, the incentive to work would be clear and strong.

The Grant-to-Wages option would have no impact on health insurance if the proposed comprehensive reform of the U.S. health insurance system were in place. Regardless of whether an SSDI recipient decided to continue with disability benefits, switched to a TJ or other wage-paying job and then reverted, or moved permanently into paid work, the individual and all family members under age 65 would be enrolled in YoungMedicare. At age 65, they would qualify for Medicare.

Another advantage for an SSDI recipient in getting paid in the form of wages is that the individual would build credit towards Social Security benefits and Medicare eligibility.

Additional Economic Incentive for Preferring Work

The preceding policy obviously creates a clear economic incentive for SSDI recipients to decide to work. Doing so means:

- More money, assuming a minimum wage of $12 (rising with inflation) and the amounts provided via the proposed refundable federal Earning Supplement tax credit;

- Retention of excellent health insurance benefits for themselves and their under-65 family members via YoungMedicare;

- Credit towards Social Security eligibility and higher Social Security benefits; and

- Credit towards Medicare eligibility.

The incentive to convert SSDI cash grants into TJ wages could be strengthened by enabling SSDI recipients who exercise this conversion option to choose to continue their work in the initial TJ they are hired to fill. Disability recipients may have a uniquely high level of anxiety about relinquishing the security of a monthly cash payment for the pressures and risks of working in a wage-paying job. It may help them to overcome that anxiety, and agree to convert their cash benefits to TJ wages, if they know upfront that they will not lose the TJ they first hire onto after the usual 6-month time limit is reached for a specific TJ position with a particular host employer.

A strong argument can thus be made for allowing SSDI recipients who try out a TJ to remain (if they wish) in the same TJ position, with the same host employer, for longer than the usual 6-month cutoff. The more SSDI recipients and others have success as employees in a TJ, the more likely they are to be open to considering, pursuing, accepting, and staying in a regular, unsubsidized job. Familiarity with receiving cash benefits hardly prepares an individual for working for pay at a jobsite. Familiarity with the discipline and rewards of a job that comes with a TJ, by contrast, is a good way to get used to the rigors and benefits of employment. It thus may open the door and ease the move to a different, higher-paying job in the regular unsubsidized labor market.

But there is also a potential downside to allowing SSDI grant-to-wage converters to remain in the same TJ for over 6 months. Other, non-SSDI recipients who are unemployed—especially if their joblessness has been long-term—may assert that they, too, should be allowed to stay in the same TJ for over 6 months. The overall TJ program could be discredited if TJs in general are perceived by the public and policymakers as permanent landing places for people who could succeed in the regular unsubsidized labor market but have been spared the pressure to try.

It may therefore make sense to first experiment with the option of letting SSDI recipients work in the same TJ for more than 6 months. If an experiment (ideally using a randomized control study model) shows that policy results in more frequent and faster entry of SSDI recipients into the regular unsubsidized labor market, and thus saves taxpayers money, the evidence may be sufficient to overcome public and policymakers' potential skepticism. This would help pave the way to adopting the policy for SSDI recipients across the board.

A final incentive to move from a TJ into the regular labor market involves the number of hours of work. The maximum workweek available when converting SSSDI cash grants into wage-paying TJs is fixed by formula: i.e., dividing the dollar amount of SSDI benefits by the minimum wage. By contrast, the hours of work potentially available in an unsubsidized job in the regular labor market would not be fixed. By moving on from TJs into one (or more) jobs in the regular labor market, SSDI recipients will not only typically earn at higher wage rates (both initially and over time), but may have an opportunity for extra hours of work.