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March 20, 1996

The Honorable William V. Roth, Jr.
Chairman, Committee on Finance
United States Senate

Dear Mr. Chairman:

This letter responds to your request for information regarding the linkage between the earnings limit for Social Security retirees and the earnings limit to determine eligibility for Social Security Disability Insurance (DI) for individuals who are blind, and whether the legislative rationale for a higher earnings limit for individuals who are blind than for individuals who have other disabilities is warranted.

This linkage is predicated on an assumption of greater adverse employment experiences for individuals who are blind than for persons who have other disabilities. In response to your request, we examined the history of differences between the amount of earnings used to indicate the ability to work for DI beneficiaries who are blind and for beneficiaries who have other disabilities. Specifically, we focused our work on (1) the legislative history of statutory differences in the treatment of blindness and other disabilities, and (2) identified readily available information about the costs and employment experience of people who are blind and individuals who have other disabilities. To develop this information, we reviewed legislative documents, Social Security Administration (SSA) published reports, and research literature. Further, we conducted interviews with representatives of, and collected documentation where possible from, a number of organizations involved with issues affecting people with disabilities (see enclosure). We conducted our work in March 1996, in accordance with generally accepted government auditing standards.

We found that the legislative rationale regarding the different earnings limit for blind and nonblind DI beneficiaries is based on the assumption that certain adverse economic consequences associated with blindness are unique--including high job-related costs and unemployment. However, such experiences do not appear to be

systematically unique to the blind compared with the experiences of other disability groups. In addition, we found several other DI provisions that allow for special consideration for persons who are blind.

BACKGROUND

The DI program, administered by SSA, was established in 1956 under title II of the Social Security Act. In 1994, four million disabled workers received DI benefits, of whom 109,000 (2.8 percent) qualified because of an eye disease. DI provides qualified individuals with cash benefits and, after receipt of cash benefits for 24 months, Medicare coverage.[1] The value of DI cash and medical benefits averaged about $1,050 per month in 1994 for all disabled workers.

To qualify for benefits, an individual must be unable to perform work for pay due to any medically determinable physical or mental impairment. A person is considered able to work or engage in substantial gainful activity (SGA) if earning at or above a certain dollar level (known as the SGA level). Currently, the SGA level is different for individuals who are blind than for people who have other disabilities.

The SGA level for individuals who are blind is linked to the earnings limit amount set for Social Security retirees aged 65 to 69.[2] The earnings limit for retirees and the SGA level for blind individuals is $960 per month, and this amount is indexed to the increases in the rate of average wage growth in the economy. Since January 1990, the SGA level for individuals with disabilities other than

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[1]The DI program is funded through Federal Insurance Contributions Act (FICA) taxes paid into a trust fund by employers and workers. FICA payroll taxes are allocated among the Disability Insurance Trust Fund, Old Age and Survivors Trust Fund, and the Medicare Trust Fund.

[2]Payment of retirement benefits are reduced if an individual has earned income from wages or self-employment above a certain level. In 1996, any person aged 65 to 69 has retirement benefits reduced $1 for every $3 of earnings above $960 per month. Anyone aged 70 and older receives full Social Security benefits regardless of earnings. Any person aged 62 to 64 has retirement benefits reduced $1 for every $2 of earnings above $690 per month.

blindness has been set at $500 per month and is not wage indexed.

Congressional proposals would increase the amounts of allowable earnings under the Social Security earnings limit for retirees.[3] The proposals would gradually raise the monthly earnings limit for Social Security retirees from $1,167 in 1996 to $2,500 in 2002. The proposals would also remove the link between the SGA level for DI beneficiaries who are blind and the earnings limit for retirees. As a result, the SGA level for blind beneficiaries would remain at $960 per month for 1996 and would continue to be wage indexed in subsequent years. The bills would have no effect on the SGA level for DI beneficiaries who have other disabilities.

DI PROVISIONS DIFFER FOR BLIND AND DISABLED BENEFICIARIES

To qualify for DI benefits, a person must attain Social Security "insured status" by earning a sufficient number of quarters of coverage and be found unable to engage in any SGA because of (1) any medically determinable physical or mental impairment that can be expected to result in death or has lasted or can be expected to last 12 months or longer or (2) blindness.[4] The DI statute gives special consideration to blind individuals.[5] Differences in the program's provisions for individuals who meet the statutory definition of blindness and those who qualify on the basis of other impairments are highlighted in table 1. DI provides, for example, different insured status and

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[3]H.R. 2684 passed the House of Representatives on December 5, 1995, and was referred to the Senate the following day. S. 1470 was reported to the Senate on December 15, 1995.

[4]To meet the statutory definition of blindness for Social Security purposes, a person must either have central visual acuity of 20/200 or less in the better eye with the use of a correcting lens or a limitation in the fields of vision so that the widest diameter of the visual field subtends an angle of 20 degrees or less.

[5]Other federal programs giving special benefits to the blind include Grants to States for Aid to the Blind and Rehabilitation Services for the Blind in some states.

"freeze"[6] requirements for people who are blind than for those who have other disabilities.

Table 1: Highlights of Differences in DI Provisions for Blind Individuals and Those Who Have Other Disabilities

Provision	Individuals with disabilities other than blindness	Blind individuals only
Insured status	Must be fully insured and have 20 quarters of coverage during the 40 calendar quarters ending generally with the quarter of disability.	Do not need to meet the "20/40" rule to be insured.
Disability "freeze" status	Cannot have freeze established unless unable to engage in SGA by reason of medically determinable impairment.	Can have freeze established regardless of whether engaging in SGA.
Eligibility for benefits	Must show inability to engage in SGA by reason of medically determinable impairment which can be expected to result in death or last at least 12 or more continuous months. If benefits terminate due to employment beyond reentitlement period, must file new application.	Must show evidence of blindness and must not be engaged in SGA. If aged 55 or older, must show inability to engage in SGA using skills or abilities comparable to those used previously and evidence of blindness. If aged 55 or older and benefits terminate due to employment, do not need to file a new application.
SGA level	$500 a month (non-indexed).	$960 a month (indexed to increases in national average wage levels).

[6]An individual's earning record can be "frozen" at the time he or she qualifies for a disability, preserving the individual's insured status and preventing years of low or no earnings during a period of disability from reducing future retirement benefits.

SGA Levels for Blind Beneficiaries Are About Twice Those for Beneficiaries Who Have Other Disabilities

Individuals who are blind or disabled qualify for DI benefits only if they are determined to be unable to perform significant and productive physical or mental work for pay or profit. SGA is the minimum earnings level at which an individual is considered able to perform productive work. The SGA test applies to both determining initial and continuing eligibility for benefits.

For individuals who have disabilities other than blindness, the Social Security Act gives the Commissioner of SSA the authority to prescribe by regulation an earnings level that demonstrates an ability to engage in SGA. SGA levels were first published in regulations in 1961 and at that time were set at $100 a month of countable earnings. To calculate countable earning, SSA deducts from gross earnings the cost of items, which, because of the impairment, a person needs to work (for example, attendant care services performed in the work setting, wheelchairs, and braille devices).[7] Over the years, the SGA level has increased a number of times and is currently set at $500 a month of countable earnings.

In contrast, the procedure for setting the SGA level for individuals who are blind is mandated by law and is $960 a month of average countable earnings in 1996--about twice as high as the SGA level for people who have other disabilities. This higher SGA level is also indexed to wages of all employees in the country; the SGA level set by regulation for individuals who have other disabilities is not.

Originally, the Social Security Act did not distinguish between the earnings limitations of DI beneficiaries who are blind and those who have other disabilities. During Senate deliberations of the Social Security Financing Amendments of 1977, an amendment was introduced that would have eliminated the SGA earnings limitation for blind individuals. A sponsor of the amendment stated the following:

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[7]Deductions can be made only if (1) the cost of the item or service is paid by the person with the disability and (2) the person has not been, and will not be, reimbursed for the expense.

> "Congress has previously recognized blindness as a distinct and unique condition. Certain economic consequences predictably follow the disability of blindness....If persons with a high earning capacity can return to work at all after becoming blind, they do so, almost without exception, at a much lower salary, and continue to suffer an adverse impact on their earning power. Moreover, working in a society adapted to vision entails extra costs for supportive services and special devices."

It was also noted that blind individuals suffer largely artificial impediments in the labor market and, citing a 70-percent unemployment and underemployment rate for people with blindness, the sponsor added that, "any group with such a high rate [of unemployment and underemployment] merits being singled out for compensatory help."

The House version of the Social Security Financing Amendments of 1977 contained no provision to eliminate the SGA earnings limitation for DI beneficiaries who are blind. In conference on the amendment, a compromise was reached between the Senate and House versions. Conferees agreed to drop the Senate amendment but linked SGA for individuals who are blind to the monthly earnings limits set for Social Security retirees aged 65 to 69. The conferees stated that they did not intend for the new SGA level established for blind individuals to be applied to people who have other types of disabilities.

In 1994, the U.S. Court of Appeals for the Tenth Circuit upheld the constitutionality of a lower SGA earnings limitation level for persons who have disabilities other than blindness in Spragens v. Shalala.[8] The plaintiff, who had no use of his arms and only limited use of his legs, had argued that the law is an unconstitutional denial of equal protection. The court explained as follows:

> In enacting legislation of this kind a government does not deny equal protection "merely because the classifications made by its laws are imperfect. If the classification has some 'reasonable basis,' it does not offend the Constitution simply because the classification 'is not made with mathematical nicety or because in practice it results in some inequality.'"

[8] 36 F.3d 947 (10th Cir. 1994).

The court stated it was reasonable to conclude that

> ...blind persons are in a less favorable position than others who, though suffering from disabilities, nonetheless still have their eyesight. And the fact, if it is a fact, that Spragens may have "more disability" than some blind persons does not change the result.

Despite recognizing that a classification scheme of this sort does not have to be perfect, the court stated that the legislature is not under an obligation to produce evidence that its classification is reasonable and "the classification may be based on 'rational speculation unsupported by evidence or empirical data.'"

Other Relevant Legislation Affecting Persons With Disabilities

More recent legislation has been passed that relates to the employment of people with disabilities. The 1990 Americans with Disabilities Act (ADA) supports the full participation of people with disabilities in society and fosters the expectation that people with disabilities can work. The ADA prohibits employers from discriminating against qualified individuals with disabilities and requires employers--without undue hardship--to make reasonable workplace accommodations.

COSTS AND EMPLOYMENT ESTIMATES ASSOCIATED WITH BLINDNESS AND OTHER DISABILITIES

Discussions surrounding passage of the 1977 amendment that established different SGA levels for blind individuals than for those who have other disabilities suggest that more generous benefits were necessary because blind people generally experience greater ongoing problems in seeking permanent employment than other disabled individuals. Readily available information we obtained suggests, however, that no systematically unique distinctions exist in the economic costs and opportunities associated with blindness in comparison with other selected disability groups.

In general, blind individuals do seem to experience job-related costs needed to overcome limitations imposed by the impairment, but such costs are not necessarily higher than those experienced by other disabled groups. Additionally, rates of unemployment, although very high for all of the groups we examined, do not appear to be necessarily higher for the blind than those who have other disabilities.

Costs and Unemployment Can Be High for Many Disability Groups

The Survey of Income and Program Participation (SIPP) provides estimates of employment rates and earnings levels of individuals broken down by various disabilities.[9] Findings show that, with one exception, self-reported employment rates of adults (aged 21 to 64) with severe functional limitations involving seeing, walking, lifting, and hearing were roughly similar. About 26 percent of individuals unable to see words and letters, 21 percent of those unable to walk three city blocks, and 22 percent of those unable to lift and carry 10 pounds, were estimated to be employed. Those unable to hear normal conversation had a higher employment rate, estimated at 58 percent. Monthly earnings levels of individuals who had a sight limitation ($1,238) were within the range of monthly earnings for individuals with limitations in walking, lifting, and hearing ($1,138 to $1,484).

The costs and employment effects of blindness and other disabilities can be high. This is illustrated by the following information on groups of persons with blindness, severe mental illness, spinal cord injuries, and deafness.

On the basis of a nonrepresentative national sample of legally blind and sighted individuals (most participants were employed), the American Foundation for the Blind and Mississippi State University found that legally blind people had lower average transportation costs but modestly higher costs for housekeeping, cleaning, and entertainment than sighted people. Respondents who incurred special expenditures associated with legal blindness (for example, adaptive technology, readers, tapes, and other items) spent

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[9]John M. McNeil, Americans With Disabilities: 1991-92 Data From the Survey of Income and Program Participation. Current Population Reports, Household Economic Studies, P70-33. U.S. Department of Commerce, Economics and Statistics Administration, Bureau of the Census (Washington, D.C.: 1993). The SIPP, an ongoing study by the Bureau of the Census of the economic well-being of the civilian noninstitutionalized population, is a nationally representative sample of approximately 30,000 households. Information about disability was collected during the last three months of 1991 and the first month of 1992.

on average about $3,000.[10] The researchers concluded that these special expenditures were lower than expected, possibly reflecting the continuing importance of low technology adaptations (including the use of readers, handwriting aids, and adapted clocks and watches). The study also showed that, compared with sighted respondents, the legally blind respondents were more likely to be unemployed and had less stable work histories.

Estimates from the 1989 National Health Interview Survey (NHIS) suggest that about 47 percent of adults aged 18 to 69 with serious mental illness (SMI)[11] are limited or unable because of their impairment.[12] Research findings indicate that people with schizophrenia and other mental impairments participating in federal and state rehabilitation programs consistently have lower employment outcomes compared with participants from other disability groups.[13] Findings reported by researchers at Dartmouth Medical School and Boston University indicate that many studies show that less than 15 percent of people with severe mental illness are

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[10]L. McBroom and others, Lifestyles of Employed Legally Blind People: A Study of Expenditures and Time Use. Executive Summary; Technical Report, Mississippi State University, Rehabilitation Research and Training Center on Blindness and Low Vision, National Institute on Disability and Rehabilitation Research, Department of Education, (1992).

[11]Serious mental illness (SMI) includes disorders, such as schizophrenia, bipolar disorder, and major depression, that interfere with one or more aspects of a person's daily life.

[12]The NHIS is a continuous nationwide survey of the resident household population of the United States. Every year since 1957, basic demographic and health information has been collected from a nationally representative sample of households in face-to-face interviews conducted by staff of the U.S. Bureau of the Census.

[13]L.E. Marshak, D. Bostick, and L.J. Turton, "Closure Outcomes for Clients with Psychiatric Disabilities Served by the Rehabilitation System," Rehabilitation Counseling Bulletin, Vol. 33, (1990), pp. 247-250.

employed at any one time.[14] The researchers cite other studies that found that societal stigma and employers' attitudes, among other factors, contribute to employment difficulties for people with SMI. The literature and researchers we talked to indicate that people with SMI require many services to help find and maintain employment: on-the-job coaching, medication monitoring, money management assistance, and mental health services. Cost estimates for these types of services range from $1,400 to $3,600 annually for supportive employment services and $3,200 to $7,000 annually for mental health services.[15]

Regarding spinal cord injuries[16], an estimated 200,000 people in the United States have this type of impairment, and about 10,000 additional spinal cord injuries occur every year. One study found average lifetime costs associated with spinal cord injury ranging from $500,000 to $1,000,000 for those injured in young adulthood.[17] These included high medical expenses, costs of personal assistance, and other expenses, such as transportation. A 1994 survey of New Jersey adults who had sustained spinal cord injuries found that employment and earnings were affected significantly.[18] While almost all survey respondents were employed before their injury, 40 percent who were injured between 1985 and 1994 had some post-injury

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[14]R. Drake, and others, "The New Hampshire Study of Supported Employment for People With Severe Mental Illness," Journal of Consulting and Clinical Psychology, (in press).

[15]G. Bond, and others, "Toward a Framework for Evaluating Cost and Benefits of Psychiatric Rehabilitation: Three Case Examples," Journal of Vocational Rehabilitation, Vol. 5, (1995), pp. 75-88.

[16]Spinal cord injuries typically cause paralysis below the level of the injury and generally require the use of a wheelchair.

[17]M. Berkowitz and others, The Economic Consequences of Traumatic Spinal Cord Injury, (New York: Paralyzed Veterans of America), 1992.

[18]D. Kruse, A. Krueger, and S. Drastal, Disability, Employment, and Earnings in the Dawn of the Computer Age, New Jersey Developmental Disabilities Council, Disability Research Consortium, Bureau of Economic Research, Rutgers University, 1995.

employment during those years, and 30 percent were currently employed. Of the currently employed group, two-thirds were employed full time. Although the post-injury average hourly pay was only slightly lower for those working, average hours worked per week declined, resulting in a 25-percent decline in weekly pay.

Regarding people with hearing impairment, data from the National Health Survey indicate that about 58 percent of adults who cannot hear and understand normal speech were employed in 1990-91.[19] Additionally, the Rochester Institute of Technology estimated that over 40 years of work, people who are deaf earn between $356,000 and $609,000 less than their comparably educated hearing counterparts.[20] Moreover, the Rochester study summarized other research studies, indicating that people who are deaf are very often seriously underemployed, overrepresented in blue collar occupations, earn substantially less money, and enjoy significantly less job mobility than do their hearing counterparts. Others have noted that people with hearing impairments incur costs to overcome limitations imposed by the impairment, including interpreter services, Telecommunications Device for the Deaf (TDD), answering machines and ancillary service, decoders for television viewing, retrofitting of items that use sound to operate, and upkeep of hearing dogs.

SUMMARY

Proposed legislation increases the amount of allowable earnings under the Social Security earnings limit for retirees and, at the same time, removes the legislative link between the SGA level for DI beneficiaries who are blind and the earnings limit level for retirees. As a result, the SGA level for blind beneficiaries would remain at $960 per month for 1996 and would continue to be wage indexed in subsequent years. The bills would have no effect on the SGA level for DI beneficiaries who have other disabilities, which would remain at $500 per month.

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[19]Vital and Health Statistics, "Prevalence and Characteristics of Persons with Hearing Trouble: United States, 1990-91" Series 10, data from National Health Survey, No. 188, March 1994.

[20]W.A. Welsh, "The Economic Impact of Deafness," Journal of the American Deafness and Rehabilitation Association, Vol. 24, No. 3 & 4, Jan./Apr. (1991), pp. 72-80.

The reason for different SGA levels is based on the assumption that the adverse economic consequences associated with blindness are unique. On the basis of our review of readily available information, individuals who are blind seem to incur high job-related costs and high rates of unemployment. However, such experiences do not appear to be systematically unique to the blind compared with the experiences of other disability groups.

AGENCY COMMENTS

We discussed a draft of this correspondence with the Associate Commissioner for Disability at SSA. The Associate Commissioner generally concurred with our findings and made several technical comments, which we have incorporated where appropriate.

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As agreed with your office, we are sending copies of this correspondence to interested parties and making copies available to others upon request from the date of this correspondence.

If you have any further questions on this matter, please call me at (202) 512-7215. Other major contributors are Cynthia Bascetta, Barbara Bordelon, Brett Fallavollita, Ellen Habenicht, Susan Higgins and Susan Poling.

Sincerely yours,

Jane L. Ross
Director, Income Security Issues

ORGANIZATIONS PROVIDING INFORMATION

American Speech-Language-Hearing Association
American Foundation for the Blind
American Rehabilitation Association
Disability Statistics Rehabilitation Research and Training Center, University of California, San Francisco
Gallaudet University Center for Assessment and Demographic Studies
George Washington University Intergovernmental Health Policy Project
Indiana University-Purdue University at Indianapolis
Mississippi State University Rehabilitation Research and Training Center on Blindness and Low Vision
National Council of State Agencies of the Blind
National Federation of the Blind
New Hampshire-Dartmouth Psychiatric Research Center
Paralyzed Veterans of America
Rochester Institute of Technology National Technical Institute for the Deaf
Rutgers University School of Management and Labor Relations
United Cerebral Palsy Associations
University of Arkansas Research and Training Center for Persons who are Deaf or Hard of Hearing
Virginia Commonwealth University Rehabilitation Research and Training Center
World Institute on Disability

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