

The Importance of Disability Coverage in Uncertain Times



Key Facts in 2020

Millions of working Americans are facing financial uncertainty. The absence of emergency savings, rising medical costs, and an overall trend of fewer employers offering benefits to workers has created a uniquely challenging time. But now as much as ever, it's important to understand that without some kind of income protection, more Americans could face severe financial difficulty if they need to miss work due to illness, injury or pregnancy.

Here are the critical numbers.

- **More than one in four** of today's 20-year-olds can expect to be out of work for at least a year because of a disabling condition before they reach the normal retirement age.¹
- **At least 51 million working adults** in the United States are without disability insurance other than the basic coverage available through Social Security.²
- **Only 40 percent of US households** have at least \$6,275 in liquid savings. That is what it would take a family of four to replace income at the poverty level for three months.³
- **Almost four out of ten American adults** indicate they can't pay an unexpected \$400 bill without having to carry a balance on their credit card or borrow money from friends, family, or the bank.⁴

Chances of missing work due to illness, injury, or pregnancy are greater than most realize.

- **Each year around 5% of working Americans** will experience a short-term disability (six months or less) due to illness, injury, or pregnancy.⁵ Almost all of these are non-occupational in origin.⁶
- **The most common reasons for short-term disability claims are⁷:**
 - Pregnancies (22.6%)
 - Musculoskeletal disorders affecting the back and spine, knees, hips, shoulders, and other parts of the body (19.3%)
 - Injuries such as fractures, sprains, and strains of muscles and ligaments (11.5%)
 - Digestive disorders, such as hernias and gastritis (7.6%)
 - Mental health issues including depression and anxiety (7.1%)
- **The most common reasons for long-term disability claims are⁸:**
 - Musculoskeletal disorders (28.9%)
 - Cancer (15.2%)
 - Injuries such as fractures, sprains, and strains of muscles and ligaments (11.5%)
 - Circulatory (heart attack, stroke) (8.6%)
 - Mental health issues (8.3%)

The consequences are alarming.

- A study of consumer bankruptcy filings from 2013 to 2016 found that 77.8% of debtors cited income loss as a contributor to their bankruptcy. This included 44.3% specifically citing medically-related work loss as a contributor.⁹
- A 2013 study of bankruptcy filings in Washington state found that cancer patients were 2.65 times more likely to go bankrupt than people without cancer, with younger (under age 50) cancer patients having the highest rates of bankruptcy.¹⁰

The Importance of Disability Coverage in Uncertain Times



Workers' Compensation and Social Security do not cover most of these challenges.

- Workers' Compensation only covers time away from work if the disabling illness or injury was directly work-related. In 2018, less than one percent of American workers missed work because of an occupational illness or injury.¹¹
- From 2008 to 2017, only 33 percent of Social Security Disability Insurance (SSDI) claimants had their applications approved: 22 percent at the initial application stage and the remainder after a reconsideration or appeals process.¹²
- It generally takes three to five months from time of application for SSDI benefits to get an initial decision.¹³ The backlog of appeals cases was more than 575,000 in fiscal year 2019, with more than 44 percent of them being over nine months old.¹⁴



- The average SSDI benefit for a disabled worker as of February 2020 was \$1,258 a month.¹⁵ That equates to \$15,096 annually – barely above the poverty guidelines of \$12,760 for a one-person household, and below the guideline of \$17,240 for a two-person household.¹⁶

To learn more, visit the Council For Disability Awareness' website, [DisabilityCanHappen.org](https://www.DisabilityCanHappen.org).

¹ Social Security Administration, Disability and Death Probability Tables for Insured Workers Born in 1999 <https://www.ssa.gov/oact/NOTES/ran6/an2019-6.pdf>, Table A.

² American Council of Life Insurers, Assessing Americans' Financial Retirement Security, unpublished data from study released in September 2017 as https://www.acli.com/-/media/ACLI/PublicFiles/PDFs-PUBLIC-SITE/Public-Industry-Facts/Assessments_Report_082917.ashx?la=en

ACLI found that 54.3% of non-retired households (51.3 million in total) did not report having disability insurance. Assuming there is at least one adult in each household, this means the number of "uncovered" adults is at least equal to the number of "uncovered" households.

³ Prosperity Now, Vulnerability in the Face of Economic Uncertainty: Key Findings from the 2019 Prosperity Now Scorecard https://prosperitynow.org/sites/default/files/resources/2019_Scorecard_Key_Findings.pdf, page 4. Census Bureau Data, Survey of Income and Program Participation.

⁴ Federal Reserve, Report on the Economic Well-Being of U.S. Households in 2018 – May 2019. <https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf>, Figure 10.

⁵ Integrated Benefits Institute, IBI Benchmarking Analytics Series: Which Diagnoses Drive STD Incidence, Costs and Lost Time? <https://www.ibiweb.org/which-diagnoses-drive-std/>

⁶ Group Market Share, a disability-benefits market research firm, reports that 96% of in-force group short-term disability plans provide coverage for non-occupational disabilities only.

⁷ Integrated Benefits Institute, Health and Productivity Benchmarking 2018 (released September 2019), Short-Term Disability, All Employers. Condition-specific results.

⁸ Integrated Benefits Institute, Health and Productivity Benchmarking 2018 (released September 2019), Long-Term Disability, All Employers. Condition-specific results.

⁹ David U. Himmelstein, Robert M. Lawless, Deborah Thorne, Pamela Foohey, Steffie Woolhandler, "Medical Bankruptcy: Still Common Despite the Affordable Care Act," *American Journal of Public Health* 109, no. 3 (March 1, 2019): pp. 431 – 433. See Table 1.

¹⁰ Ramsey, S. D., Blough, D. K., Kirchoff, A. C., Fedorenko, C. R., Snell, K. S., Kreizenbeck, K. L., ... Overstreet, K. A. (2013). Washington Cancer Patients Found To Be At Greater Risk For Bankruptcy Than People Without A Cancer Diagnosis. *Health Affairs (Project Hope)*, 32(6), 1143–1152. <https://www.healthaffairs.org/doi/full/10.1377/hlthaff.2012.1263>

¹¹ Bureau of Labor Statistics, *Employer-Reported Workplace Injuries and Illnesses (Annual)* 2018, Table1 Incidence rates of nonfatal occupational injuries and illnesses by industry and case types, cases with days away from work

¹² Social Security Administration, *Annual Statistical Report on the Social Security Disability Insurance Program*, 2018 https://www.ssa.gov/policy/docs/statcomps/di_asr/2018/sect04.html, Chart 11.

¹³ Social Security Administration, Factsheet <https://www.ssa.gov/disability/Documents/Factsheet-AD.pdf>

¹⁴ Social Security Administration, Age Distribution of Pending Hearings, (FY 2016 – FYTD 2020 Quarter 1), https://www.ssa.gov/appeals/charts/Age_Distribution_Pending_Hearings_FY2020_1st_Qtr.pdf

¹⁵ Social Security Administration, Monthly Statistical Snapshot February 2019 https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/, Table 2.

¹⁶ ASPE Poverty Guidelines 2020, <https://aspe.hhs.gov/poverty-guidelines>