

Millions of working Americans are facing a growing crisis: a lack of adequate disability insurance coverage. Today, the absence of emergency savings, rising medical costs, and an overall trend of fewer employers offering benefits to workers has created a critical blind spot for many American workers and their families. Without some kind of income protection, more Americans are experiencing severe financial difficulty if they need to miss work due to illness, injury, or pregnancy.

A lack of adequate disability coverage.

- At least 51 million working adults in the United States are without disability insurance other than the basic coverage available through Social Security¹.
- Only 40 percent of US households have enough in liquid savings to cover at least three months of their recurring expenses, and only 28 percent can cover at least six months².
- Three 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 bank³.

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

- 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.⁴
- 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:

1. Pregnancies (22.3%)
2. Musculoskeletal disorders affecting the back and spine, knees, hips, shoulders, and other parts of the body (18.5%)
3. Injuries such as fractures, sprains, and strains of muscles and ligaments (11.4%)
4. Digestive disorders, such as hernias and gastritis (7.4%)
5. Mental health issues including depression and anxiety (7.3%)

The most common reasons for long-term disability claims are⁸:

1. Musculoskeletal disorders (27.6%)
2. Cancer (15.0%)
3. Injuries such as fractures, sprains, and strains of muscles and ligaments (12.0%)
4. Mental health issues (9.3%)
5. Circulatory (heart attack, stroke) (8.2%)

The consequences are alarming.

- A 2019 study of consumer bankruptcy filings 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 large-scale study linking cancer registry data and bankruptcy filings in western Washington state found that cancer patients were 2.65 more likely to go bankrupt than people without cancer, with younger (under age 50) cancer patients having the highest rates of bankruptcy.¹⁰

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 2019, less than one percent of American workers missed work because of an occupational illness or injury.¹¹
- From 2009 to 2018, only 32 percent of Social Security Disability Insurance (SSDI) claimants had their applications approved: 21 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 400,000 in fiscal year 2020, with 38 percent of them being over nine months old.¹⁴
- The average SSDI benefit for a disabled worker as of February 2021 was \$1,279 a month.¹⁵
- That equates to \$15,348 annually – which is below the poverty guideline \$17,420 for a two-person household.¹⁶

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2. Federal reserve, "Money in the Bank? Assessing Families' Liquid Savings using the Survey of Consumer Finance," FEDS Notes, November 19, 2018 <https://www.federalreserve.gov/econres/notes/feds-notes/assessing-families-liquid-savings-using-the-survey-of-consumer-finances-20181119.htm>, Table 1.
3. Federal Reserve, Update on the Economic Well-Being of U.S. Households: July 2020 Results. <https://www.federalreserve.gov/publications/2020-update-economic-well-being-of-us-households-overall-financial-security.htm>, Figure 2.
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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. AskGMS, a group benefits market research firm, reports that 96% of in-force group short-term disability plans provide coverage for non-occupational disabilities only. <https://www.askgms.com/disability-and-life-insurance.html>.
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8. Integrated Benefits Institute, Health and Productivity Benchmarking 2019 (released September 2020), Long-Term Disability, All Employers. Condition-specific results. <https://files.ibiweb.org/uploads/general/Sample-Reports.zip>
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. Free access available at <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6366487/>
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. https://www.bls.gov/iif/oshwc/osh/os/summ1_00_2019.htm
12. Social Security Administration, *Annual Statistical Report on the Social Security Disability Insurance Program*, 2019 https://www.ssa.gov/policy/docs/statcomps/di_asr/2019/sect04.html#chart11
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 Q4) https://www.ssa.gov/appeals/charts/Age_Distribution_Pending_Hearings_FY2020_4th_Qtr.pdf
15. Social Security Administration, Monthly Statistical Snapshot August 2021 https://www.ssa.gov/policy/docs/quickfacts/stat_snapshot/ Table 2
16. HHS Poverty Guidelines 2021, <https://aspe.hhs.gov/poverty-guidelines>