

Part II

PERMANENT AND TOTAL DISABILITY INSURANCE

INTRODUCTION AND SUMMARY

Income loss from permanent and total disability is a major economic hazard to which, like old age and death, all gainful workers are exposed. The Advisory Council believes that the time has come to extend the Nation's social-insurance system to afford protection against this loss.

There can be no question concerning the need for such protection. On an average day the number of persons kept from gainful work by disabilities which have continued for more than 6 months is about 2,000,000. The economic hardship resulting from permanent and total disability is frequently even greater than that created by old age or death. The family must not only face the loss of the breadwinner's earnings but must meet the costs of medical care. As a rule, savings and other personal resources are soon exhausted. The problem of the disabled younger worker is particularly difficult since he is likely to have young children and not to have had an opportunity to acquire any significant savings.

Present methods of protection against income loss from permanent and total disability are not adequate. More than 60 life-insurance companies offer such protection, but few individuals purchase it. The cost is high, the terms on which it is sold are restrictive, and most life-insurance companies no longer follow aggressive sales policies with respect to permanent and total disability insurance. Workmen's compensation affords protection against work-connected disabilities, but less than 5 percent of all permanent and total disability cases are of work-connected origin. Special programs provide disability payments for limited groups such as veterans, railroad employees, and some Federal, State, and local employees. In a high percentage of the total cases, however, the disabled worker exhausts his own resources and becomes dependent upon public assistance. Few persons, even those receiving moderately high salaries, can accumulate enough to support their families during prolonged periods of income loss. Social insurance seems the only practical and adequate method of preventing dependency from income loss resulting from permanent and total disability.

The Council recognizes the difficulties in extending social insurance to cover permanent and total disability. Unless adequate safeguards are established, the possibility of receiving monthly disability benefits over extended periods may lead to some unjustified claims and induce some beneficiaries to resist efforts to restore their capacity to

work. In certain types of cases, disability may not be easily and reliably determined. The Council also appreciates that the number and duration of disabilities reflect somewhat the state of the labor market and may increase as unemployment rises. We are aware that in the past many life-insurance companies have had unfavorable experience with disability insurance. In our opinion, that experience is important but not conclusive.

The Council is also aware that the low levels of disability benefits paid by some foreign countries affect the usefulness of their experience as a precedent for the American program. Other countries, however, have successfully administered systems paying benefits at least as high in relation to average wages as those proposed by the Council. The experience of some 40 foreign countries with programs of permanent and total disability insurance offers much that is valuable for America. Nevertheless, the United States must of necessity pioneer in the kind of disability program adapted to its needs just as it has had to pioneer in other areas of social insurance in designing programs to meet special American conditions. Experience which will be valuable in the development of the American program is provided by workmen's compensation, commercial insurance, and the several special programs for veterans, railroad workers, and public employees, as well as by the foreign social-insurance systems.

The Council is strongly impressed with the seriousness of the problems created by permanent and total disability and with the social disadvantages of compelling the victims of this misfortune to depend upon public assistance. We believe that there is enough administrative ability in our Government organization to provide effective machinery for meeting this pressing social need. In view of the admitted administrative difficulties in undertaking the payment of such benefits, however, the Council recommends a highly circumscribed program. More progress will be made in the long run if the persons responsible for operating the program have an opportunity to develop experience under relatively favorable conditions.

We believe further that it would be desirable to establish a public advisory board to counsel with the Federal administration particularly during the early years of the operation of this new program. Such an advisory group could assure that a variety of viewpoints are considered in the formulation of policy. The advisory group might appropriately later review and make recommendations on the conduct of operations and the extent to which the program achieves its purpose. The estimated level-premium cost¹ of the program recommended by the Council would be only about one-tenth to one-fourth of 1 percent of pay roll and in the early years would be considerably less. Furthermore, these costs would not constitute a wholly new expense since the cost of providing for the permanently and totally disabled is now met to a considerable extent by public and private assistance and institutional care. For instance, in January 1948 about 80,000 persons were receiving aid to the blind, and payment for aid to dependent children went to the families of about 100,000 disabled men. A substantial percentage of the approximately 375,000 family heads and single individuals receiving general assistance are disabled.

¹ The level-premium contribution rate is the rate which would support the system in perpetuity if collected from the first year.

Summary of Major Recommendations

Eligibility requirements.—To qualify for benefits, a disabled person would have to be incapable of self-support for an indefinite period—permanently and totally disabled. He would have to be unable, by reason of a disability medically demonstrable by objective tests, to perform any substantially gainful activity. This requirement would eliminate the problems involved in the adjudication of claims based solely on subjective symptoms.

We recommend that a waiting period of 6 months be required and that benefits be payable only in those cases in which, at the end of the waiting period, the disability appears likely to be of long-continued and indefinite duration. This requirement is much more exacting than the disability provisions of commercial insurance policies now being issued, which specify that a total disability that has persisted for 6 months will be presumed to be permanent. The definition as a whole constitutes a strict test of permanent and total disability, which would operate as a safeguard against unjustified claims.

To assure that disability benefits will be available only to workers who have suffered income loss by reason of disability we recommend that strict eligibility requirements be adopted to test both the recency and long duration of an individual's attachment to the labor market. To be eligible, a worker would need a minimum of 40 quarters of coverage, would have to have one quarter of coverage for every 2 in his working lifetime after 1948 in covered employment, and would have to show employment during at least one-half the time within the period immediately preceding the onset of his disability.

Amount of benefits.—The same benefit formula recommended for old-age and survivors insurance is proposed for the disability insurance program. The Council does not recommend, however, that benefits be provided for dependents of the disabled worker. If these were provided, there is the possibility that disability benefits in some cases might prove attractive enough to discourage return to gainful work after recovery or rehabilitation. Thus the benefits under the disability program when the worker has dependents would be substantially less than those we propose for old-age and survivors benefits. They would be as much as one-half the average monthly wage only in the case of workers who averaged \$75 a month or less, while the average benefit for all workers would be only about 30 percent of the average wage. (See table at the end of recommendation 3, p. 75.)

Provisions for rehabilitation of disabled workers.—The Council recommends that contributions be made from the Federal old-age and survivors insurance trust fund toward the expense of rehabilitating beneficiaries on the disability rolls. A substantial number of beneficiaries can be rehabilitated and become self-supporting. The national economy will benefit from the restoration of their earning capacity, and the cost of the insurance system will be reduced because the disability benefits of persons who have been rehabilitated will be terminated.

Termination or suspension of benefits.—Benefits should be denied when the beneficiary refuses to undergo a medical examination or reexamination and should be suspended when he refuses to cooperate in his rehabilitation. Payments should also be suspended for any period for which workmen's compensation is payable under a State or Federal program.

Integration with old-age and survivors insurance.—Permanent and total disability insurance and old-age and survivors insurance should be administered as a single system. Aside from the similarity of risks, considerations of administrative efficiency and economy make the integration logical. Integration would also facilitate the maintenance of the benefit rights of disabled workers for purposes of future old-age and survivors insurance payments.

If the administration of the two programs is integrated, the facilities already established under old-age and survivors insurance for maintaining individual wage records, the network of old-age and survivors insurance field offices, and the administrative machinery for awarding benefits and certifying claims could be adapted to the requirements of the disability program with relatively minor adjustments.

The Method of Social Insurance

The Council is strongly of the belief that the foundation of the social-security system should be the method of contributory social insurance with benefits related to prior earnings and awarded without a needs test. As stated in our report on old-age and survivors insurance, p. 1:

Differential benefits based on a work record are a reward for productive effort and are consistent with general economic incentives, while the knowledge that benefits will be paid—irrespective of whether the individual is in need—supports and stimulates his drive to add his personal savings to the basic security he has acquired through the insurance system. Under such a social insurance system, the individual earns a right to a benefit that is related to his contribution to production. This earned right is his best guaranty that he will receive the benefits promised and that they will not be conditioned on his accepting either scrutiny of his personal affairs or restrictions from which others are free.

Public assistance payments from general tax funds to persons who are found to be in need have serious limitations as a way of maintaining family income. Our goal is, so far as possible, to prevent dependency through social insurance and thus greatly reduce the need for assistance.

The Council believes that the permanently and totally disabled worker—as well as the aged worker or the dependent survivors of a deceased worker—should not be required to reduce himself to virtual destitution before he can become eligible for benefits. Certainly there is as great a need to protect the resources, the self-reliance, dignity, and self-respect of disabled workers as of any other group. The protection of the material and spiritual resources of the disabled worker is an important part of preserving his will to work and plays a positive role in his rehabilitation.

RECOMMENDATIONS

1. Eligibility Requirements

To be eligible for permanent and total disability benefits, an otherwise qualified individual should be required to meet strict tests of recent and substantial attachment to the labor market. He should be required to have (a) a minimum of 40 quarters of coverage, (b) 1 quarter of coverage for every 2 calendar quarters elapsing after 1948 (or after attainment of age 21 if that was later) and prior to the first quarter of total disability, (c) 6 quarters of coverage within the 12 quarters preceding his disability, and (d) 2 quarters of coverage within the 4 quarters preceding his disability

Permanent and total disability benefits should be paid only to those who have suffered a loss of earnings by reason of total disability. To

determine whether such a loss has occurred, both the recency and substantiality of the individual's attachment to the labor market should be tested. In keeping with the objective of establishing a carefully circumscribed and restricted program, the proposed test is an exacting one.

The requirement of 6 quarters out of the last 12 (comparable to currently insured status under old-age and survivors insurance) plus 2 quarters of coverage out of the last 4 is designed to exclude persons, such as housewives, who have retired from the labor market before the onset of disability and consequently have not incurred any loss of earnings because of their incapacity. Under this requirement, it is true, some persons who did suffer genuine losses because of disability might be prevented from qualifying if their total disability had been relatively slow in developing and they had been unemployed for more than 2 quarters because of partial disability. In view of the large number of withdrawals from the labor market each year, however, and the difficulty of determining in many cases whether or not the worker has withdrawn or is only unemployed, a requirement of very recent earnings is needed.

A strict test of long-term attachment to the labor force is proposed as evidence that the disabled worker has contributed substantially to his own support over a long period of time. A worker should be required to have a minimum of 40 quarters of coverage and 1 quarter of coverage for every 2 elapsed calendar quarters in his working lifetime (after 1948) up to the first quarter of total disability. This requirement would prevent individuals with congenital disabilities and those who have not regularly been gainful workers from qualifying. For all persons who qualify, there would be convincing proof both of the will to work and of the ability to earn income over a substantial period of time.

In some cases of total disability it will not be clear immediately whether the disability will be of long duration. It would be both unfair to the claimant and administratively wasteful to require that a person forfeit the opportunity of having insured status calculated as of the time of onset of disability because he had not filed application and undergone official examination at that time. Determinations of the existence of a total disability retroactive for strictly limited periods would be feasible and should be allowed. On the other hand, provisions requiring medical determination retroactive over long periods of time would involve serious administrative problems and uncertainties, increasing as the time of alleged onset of disability becomes more remote from the date of medical examination. The Council believes that a reasonable limitation on retroactive determinations would be 6 months before the date of application. Inevitably, under such a limitation, workers who unduly postpone filing their claims will lose insured status. This requirement seems necessary, however, to avoid the complications and difficulties involved in determining retroactively over a long period the date of the beginning of permanent and total disability.

2. Definition of Permanent and Total Disability

Benefits should be paid to an insured individual who is permanently and totally disabled. A "permanent and total disability" for the purpose of this program should mean any disability which is medically demonstrable by objective tests, which prevents the worker from performing any substantially gainful activity, and which is likely to be of long-continued and indefinite duration

Qualified individuals should be eligible for permanent and total disability benefits after a waiting period of 6 months. The first benefit should be paid for the seventh month of disability

The definition of "disability" used in a disability program will in large part determine the feasibility of administration and the costs of the program. The proposed definition is designed to establish a test of disability which will operate as a safeguard against unjustified claims. It is an administratively practicable test and it will facilitate the evaluation of permanent and total disabilities.

The Council recommends that compensable disabilities be restricted to those which can be objectively determined by medical examination or tests. In this way, the problems involved in the adjudication of claims based on purely subjective symptoms can be avoided. Unless demonstrable by objective tests, such ailments as lumbago, rheumatism, and various nervous disorders would not be compensable. The danger of malingering which might be involved in connection with such claims would thereby be avoided.

Total disability lasting more than six consecutive calendar months should be considered permanent if the disability is diagnosed as likely to be of long-continued and indefinite duration. Periodic medical reexaminations, as well as other checks and safeguards which will exist in the system, may be relied upon to discover cases in which a beneficiary has recovered. The period of 6 months is recommended because it is sufficiently long to permit most essentially temporary conditions to clear up or show definite signs of probable recovery. The claims payable after the 6-month waiting period has expired would be only those involving long-term or chronic conditions.

The great majority of persons applying for permanent and total disability benefits will have had no income during the waiting period. Only two States now provide temporary disability benefits and no benefits are payable to persons who are incapacitated for work at the time they file claims for unemployment insurance benefits.² Only a limited number of workers have short-term disability protection in some other form, such as commercial insurance policies. Consequently, the waiting period—constituting as it does in most cases a 6-month period without income—would make it very unprofitable for would-be malingerers to give up work and attempt to qualify for benefits.

The concept of permanent disability which the Council envisages should be defined in legislation only in broad terms and should be worked out in detail through regulations. We do not believe that mere duration of a total disability for 6 months should give rise to an automatic presumption of permanency, as is generally the case with commercial insurance policies offering permanent and total disability

² See appendix IV-D for provisions under these and a third State law under which temporary disability benefits are payable in 1949.

protection. On the other hand, we would not limit benefits to the cases in which it is certain that the disability is, in the strictest sense of the word, permanent. In some cases which are to all intents and purposes "permanent," physicians are nevertheless reluctant to designate the condition as incurable, both because of the psychological effect on the patient and because recovery is theoretically possible. Most systems using a concept of permanency have found it necessary to presume permanency in cases of long and uncertain duration and to subject claimants to periodic reexamination to determine whether they have recovered. Such an approach prevents the extreme hardships which would result from the denial of benefits in many cases of total disability which continue indefinitely, perhaps for years, but which cannot with certainty be adjudged "permanent."

Since the objective of disability insurance is to compensate for loss of earning capacity, payments should not be made for the mere physical impairment, loss of strength, disfigurement, or diseased condition which results from illness or accident. Payments should be made only if the individual is unable to perform any substantially gainful activity.

Some disability insurance plans are based on the concept of compensating an individual for incapacity to work within the area covered under a particular insurance or retirement scheme or within an area of customary employment. With this criterion, an individual who with reasonable effort could obtain employment in a different area, or perform another type of work, may nevertheless be considered disabled. While this "occupational" concept may be justified in systems designed primarily to provide for the retirement of employees when they are no longer able to perform their jobs efficiently, it would not be appropriate for a general social-insurance system. Such a system, financed by employers and employees in wide and diverse areas of employment, should not permit workers to withdraw from the labor market and receive benefits if they have not suffered a loss of general earning capacity. In the best interests of the individual and of the national economy, and in view of the limitation on total national resources available for social-insurance purposes, it is important to utilize any substantial earning capacity that handicapped persons may retain.

The exact limits of what constitutes "substantially gainful activity" should, in the early years of the program, at least, be defined by regulations. After the program has been in operation, administrative experience will doubtless indicate ways in which the definition can be improved. Leaving the definition to regulations will make it possible to take prompt advantage of that experience. The Council believes, however, that the regulations governing this definition should be strict.

3. Amount of Benefits

Primary disability benefits should be based on the same formula recommended for old-age and survivors insurance. No benefits should be provided for dependents of the disabled wage earner

In general, the needs of a permanently and totally disabled worker are at least as great as those of a retired worker. In many respects the burden of disability is even greater than the burdens created by old age or death. These facts speak strongly for providing disability benefits similar in types and amounts to payments provided for retirement and

death cases. Payments should not be high enough, however, to encourage persons on the borderline of total disablement to seek benefits or to mangle when total disability has ceased to exist. The incentive for beneficiaries to return to work when possible is a very significant factor influencing the costs of a disability program. This incentive might not exist if the worker on the disability rolls could receive, in the form of benefits payable on his wage account, too high a replacement of his earnings loss. In keeping with the Council's view that stringent provisions should be established, it would seem desirable to restrict disability payments to the primary insurance benefit payable to the worker himself. No dependents' benefits, such as those under old-age and survivors insurance, should be payable to the wife or minor children of the disabled worker. The proposed restriction on the types of disability benefits payable would mean that benefits would amount on the average to about 30 percent of the worker's average monthly wage and would in no case exceed one-half of the average monthly wage. As shown in the following table, it would be as much as one-half only in the case of workers with average monthly wages of \$75 or less.

TABLE 1.—*Disability insurance benefit and its ratio (percent) to specified average monthly wages under the Advisory Council's proposals*

Average monthly wage	Disability insurance benefit	Percent of average monthly wage	Average monthly wage	Disability insurance benefit	Percent of average monthly wage
\$50.....	\$25.00	50.0	\$200.....	\$56.25	28.1
\$75.....	37.50	50.0	\$250.....	63.75	25.5
\$100.....	41.25	41.2	\$300.....	71.25	23.8
\$150.....	48.75	32.5	\$350.....	78.75	22.5

4. Disqualifications

Claims should be disallowed if the claimant refuses to submit to medical examination, and benefits should be terminated if the beneficiary refuses to submit to reexamination. Provision should be made for periodic reexaminations so that benefit payments can be terminated promptly when the beneficiary is no longer disabled. Disability benefits should be withheld if a disabled person refuses without reasonable cause to accept rehabilitation services

If an applicant for disability benefits refuses to submit to medical examination required for the purpose of determining whether a disability exists, such refusal should result in disallowance of the claim; if an individual receiving benefits refuses to submit to reexamination, his refusal should result in termination of benefit payments. Benefits should, of course, be terminated if the disability ceases. Provisions for periodic and special medical reexaminations of beneficiaries are essential to the administration of any disability program, but the frequency of reexamination should be adapted to the needs of individual cases. It would probably be desirable that cases be reexamined at least once a year, although some types of disablement may require more frequent checking.

Effective administration and conservation of funds make it desirable that benefits be suspended when refusal to accept rehabilitation is

determined to be unwarranted. Together with the proposed requirements calling for termination of benefits on recovery or successful rehabilitation, this provision would serve to prevent payments when the continuation of benefits is not justified.

5. Adjustment to Workmen's Compensation

Permanent and total disability insurance benefits should be suspended for any period for which workmen's compensation cash benefits are payable under State or Federal programs

Workmen's compensation is payable in less than 5 percent of all cases of economic loss due to permanent and total disability. Although the total area of possible duplication is small, an individual should not receive disability payments under more than one program at the same time. If combined payments become a major fraction of prior earnings, the economic incentive for beneficiaries to return to work may be insufficient.

Workmen's compensation reflects society's conviction that part of the costs of industrial accidents and diseases are a responsibility to be borne by the employer, regardless of fault, and in lieu of any common-law liability the employer may otherwise have incurred. Contributory disability-insurance benefits should not take the place of, or interfere with the continuing development of, the special programs affording protection against work-connected disabilities.

The most practical approach to the problem of duplication of benefits by State and Federal workmen's compensation systems and the social-insurance system seems to the Council to be the suspension of basic social-insurance benefits for any periods for which cash benefits are payable under workmen's compensation programs. Thus the Federal program would be precluded from making payments in cases covered by workmen's compensation, but benefits could be paid when there was no eligibility for workmen's compensation or when cash benefits under workmen's compensation were terminated. Although disability-insurance benefits would be suspended, an individual's rights to retirement and survivorship benefits would be protected in the same way as if he were receiving the disability benefit. To accomplish the objectives of the suspension provision, lump-sum and commuted benefits paid as workmen's compensation for permanent total disability should also cause suspension of the disability-insurance benefits for a period of time which would be the equivalent of the time the payments would have lasted if made on a periodic basis.

6. Adjustment to Other Federal Disability Programs

A disabled worker eligible for benefits under both the disability program recommended here and another Federal disability program (other than a Federal workmen's compensation system) should receive only the larger benefit

Protection against the risk of permanent disability is provided for railroad and Federal civilian employees and members of the armed services under their special retirement systems. Similar provision is made under laws administered by the Veterans Administration for disabled servicemen and veterans. The benefits provided under

these Federal programs are usually substantial since these systems are either staff retirement plans or, in the case of the veterans' program, are designed to compensate for losses incurred in the Nation's defense.

It is important that combined benefits to which some persons might become entitled under one of these special systems and under the social-insurance program should not be so high as to discourage beneficiaries from returning to gainful work when they are able to do so. The Council believes therefore that where there is entitlement under two systems, only the higher benefit should be payable.

At the direction of the Congress, a study should be made to develop cooperative administrative procedures, to draft a plan for equitably financing disability benefits, and to make such other recommendations as are necessary for effective coordination of disability payments under the several Federal programs. Participating in the study should be such agencies as the Federal Security Agency, the Veterans Administration, and the service departments, and the study should be tied in with those proposed in the Council's old-age and survivors insurance report with respect to the programs administered by the Railroad Retirement Board and the Civil Service Commission.

Undoubtedly, private as well as State and local retirement systems which provide disability protection would have to be modified to avoid unnecessarily high total payments when payments are also payable under the social-insurance disability program.

7. Integration with Old-Age and Survivors Insurance

Permanent and total disability insurance and old-age and survivors insurance should be administered as a single system. Provisions of the two programs should be integrated so that, in computing insured status and the average monthly wage of a disabled person, periods of total disability will not be counted

There are numerous administrative and organizational needs which are common to both an old-age and survivors insurance program and a program for permanent and total disability insurance. Most of the industrial nations of the world have recognized this fact and have established single plans covering both types of social insurance.

Under the permanent and total disability program we recommend, the same wage information will be necessary as under old-age and survivors insurance to determine insured status and the amounts of benefit payments. Administering these forms of social insurance as a single program would permit utilizing for disability insurance purposes the central accounting operations and the field and area office facilities already established under old-age and survivors insurance.

For disability cases, additional techniques and procedures would have to be developed by the old-age and survivors insurance field and adjudication staffs. On the other hand, procedures and techniques already developed under old-age and survivors insurance would apply to many essential phases of disability insurance such as the determination of insured status, the computation of benefit amounts, and the monthly certification of benefit payments. In addition, broad skills necessary for the administration of old-age and survivors insurance, such as those needed in interviewing, investigation, and

evaluating evidence, would be of value in the administration of a new disability program. There would be substantial savings in administrative costs if the programs were combined rather than separate. Of importance also would be the convenience for the public in having one organization to look to for information on both types of insurance.

Integration of the two programs would also facilitate the maintenance of the disabled worker's average monthly wage and insured status for purposes of retirement and survivor benefits. An insured person now has his average monthly wage reduced during a period of extended incapacity to work and may lose benefit rights entirely if he is not permanently insured. The disability program should contain a provision excluding periods of prior permanent and total disability from the computation of the average monthly wage whenever a subsequent claim is filed on the same wage record. Furthermore, periods of prior permanent and total disability should not be considered in determining currently insured status. This will prevent loss of rights to certain dependents' and survivors' benefits which, under the Council's recommendations for old-age and survivors insurance, would be payable only on the basis of currently insured status.³ With the two programs administered as a single system, the necessary information regarding the existence and duration of a prior disability would be readily available when needed in connection with old-age and survivors insurance claims.

8. Effective Date

The effective date for the payment of first benefits under the disability insurance program should be 1 year after the effective date for the extension of coverage under old-age and survivors insurance

Assuming that the disability program may be adopted at the same time as broad coverage extension for old-age and survivors insurance, the Council recommends that permanent and total disability insurance payments first be made approximately 1 year after the date of coverage extension. The coverage of farm labor, domestics, self-employed, and others will create new problems of administration, stimulate numerous inquiries, and increase old-age and survivors insurance work loads. It would probably be undesirable for the Social Security Administration to take on both the coverage extension and disability insurance problems simultaneously.

Even if the disability insurance legislation is passed later than comprehensive old-age and survivors insurance amendments, postponement of the disability program's effective date for approximately 1 year from the date of the passage of the disability legislation would probably still be desirable. Such postponement would allow time for the preparation of regulations and procedures, for the necessary recruitment and training of staff for work in this new field, and for informing the public of its rights in connection with the new type of protection.

³ Recommendation 16 of the old-age and survivors insurance report suggests benefits under certain conditions for the children, aged dependent husband and aged dependent widower of a woman worker who, among other requirements, must be currently insured. Under the proposed eligibility provisions for the disability program, there is no need for a similar "freeze" of fully insured status since the minimum requirement of 40 quarters of coverage to qualify for disability payments constitutes fully insured status.

9. Rehabilitation Services

Rehabilitation services should be furnished to disability insurance beneficiaries when it appears that the services to be furnished will assist the beneficiary to return to gainful work and so will result in a saving to the trust fund. The services should be furnished through existing facilities, with contributions toward the expense of such services being made from the trust fund. Benefits should be terminated if rehabilitation of the beneficiary has been successful

It would be economically and socially sound to provide rehabilitation services for those disability insurance beneficiaries who could be expected to profit by them. While the possibilities of rehabilitation are limited for many permanently and totally disabled persons, the provision of such services would reduce the ultimate cost of the disability insurance benefits by enabling some beneficiaries to again become self-supporting. It would also benefit the national economy by restoring to it the services of otherwise idle individuals. Physical restoration services, as well as vocational retraining, should be provided; vocational training is of limited value unless it can be supplemented by necessary medical and surgical rehabilitation.

State programs of rehabilitation are already in operation and are coordinated and aided by the Federal Government under the authority of the Federal Rehabilitation Act of 1920, as amended. The existing facilities could be immediately utilized in furnishing services to disability insurance beneficiaries since the currently operated Federal-State programs afford the necessary organization, staffed, trained, and equipped to furnish rehabilitation services on a Nation-wide basis.

Close and complementary relationships should be established between the two programs. State agencies as well as the Federal old-age and survivors insurance trust fund would benefit from such cooperation. The State agencies carrying out rehabilitation would have cases referred to them on the basis of the medical diagnosis and vocational case history developed by the insurance program. The problem of maintenance of the client during rehabilitation, at present a troublesome one in many cases, would be at least partially solved by the disability benefits which would continue to be paid during rehabilitation. Finally, the problem of locating cases for rehabilitation at early stages of disability, also frequently troublesome, would be nearer solution because of early referrals by the Social Security Administration.

Contributions toward the expense of rehabilitating insurance beneficiaries should be made from the trust fund only where it is probable that a saving to the fund will result from the rehabilitation. The contributions would, of course, be in the form of payments for services furnished beneficiaries through existing facilities. No services would be provided directly by the Social Security Administration.

Since rehabilitation services are now furnished at the expense of the present Federal-State program, it may be questioned why the trust fund should bear the cost of services now financed from other sources. Several factors make this recommendation appropriate. First, under the present rehabilitation program, before certain services can be furnished, the disabled individual must meet a "needs test," and this requirement might preclude some insurance beneficiaries from qualifying. (The individual must meet a needs test to receive medical and

surgical treatment, prosthetic appliances, tools and books, and maintenance.) Second, in many States the funds available for rehabilitation programs are inadequate; contributions from the trust fund would enable them to afford better services to the beneficiaries. Finally, early attention and treatment are of the utmost importance for successful rehabilitation; if trust-fund contributions were made, it would undoubtedly be possible for the rehabilitation of insurance beneficiaries to be instituted more promptly than otherwise, thereby reducing the costs of the disability program.

It would seem essential to provide for the suspension of benefits if the beneficiary refuses rehabilitation without reasonable cause. There is considerable precedent for such a provision in foreign disability systems and State workmen's compensation programs. The provision would make for effective administration and conservation of the funds of the insurance system. A beneficiary who has been rehabilitated should have his benefits terminated if the rehabilitation has been successful.

ADMINISTRATION OF PERMANENT AND TOTAL DISABILITY INSURANCE

This section presents a picture of the operation of a disability insurance program as visualized by the Council in arriving at its recommendations. This description is illustrative only and is not intended to prejudge alternative methods of organization and other administrative problems.

Development and adjudication of claims for old-age and survivors insurance have been decentralized to field offices throughout the Nation; supervision of the field offices has been delegated to regional staffs; and broad authority for the activities incident to the payment of claims is carried by area offices in various parts of the country. This pattern of operations, which can be further localized at any time the volume of claims activity warrants, has brought old-age and survivors insurance into intimate contact with claimants in their own towns and with employers and the general public as well. The central administration of the system is limited to activities essential to supervising the establishment and reasonably uniform application of Nation-wide policy. The Council believes that a similar degree of decentralization could be achieved in the administration of permanent and total disability insurance.

Every claimant for permanent and total disability benefits will have to undergo a medical examination as a first step in the determination of the existence of disability. In many cases it would be unnecessary or impractical to conduct these medical examinations in Federal facilities, although where such facilities exist (for example, those of the U. S. Public Health Service and of the Veterans Administration), they could be used to the extent available. Contract arrangements could be made with private physicians, clinics, and State and local hospital facilities in all parts of the country to perform such examinations for the social-insurance program. General practitioners as well as specialists would no doubt furnish their services on a fee basis for this purpose, much as they now perform examinations for other Federal agencies as, for example, the Bureau of Employees' Compensation, the

Civil Service Commission, and the Veterans Administration. Consistent with the decentralized pattern of old-age and survivors insurance operations, relationships with the local medical profession would be carried out through regional or area medical representatives. These representatives would be concerned with liaison and instructional work with examining physicians, consultation with the field offices on special problems in claims development, and, in unusual cases, decisions on whether a claimant should undergo additional examinations by specialists or observation and tests in a hospital.

After medical examination has established the nature and extent of the claimant's disability, his condition would be evaluated in terms of its effect on his capacity for substantially gainful activity, and all the evidence in the claim would be subject to determination. This process would probably be carried on in the various area offices after an initial period of centralized determinations. If it is determined that the claimant is permanently and totally disabled, a decision would be made concerning the frequency of reexaminations. Periodic medical examinations, confirmed by results of special field investigations in any doubtful cases, would provide the basis for reviewing a case whenever it appeared that a change in conditions might call for termination of the benefit.

When a disability claim is filed, or in any event at the time of medical examination or claims adjudication, any disabled person for whom rehabilitation appears possible would be referred to the appropriate State rehabilitation agency. Each State now has a rehabilitation program operated with Federal aid and administered by the Office of Vocational Rehabilitation. The State agency, as a rule, could observe the beneficiary's progress for the social insurance system, and benefits would be stopped when rehabilitation was completed. If a claimant was reluctant to undergo rehabilitation, he would know that provisions of the Federal program would require a suspension of his disability benefits for refusal to accept rehabilitation.

Under the method of Federal operations described, various relationships with State and local interests would bring local viewpoints to bear on the program. The Council believes that this can be a very important factor in preventing abuses of the system. It is highly desirable that the administration of the program be responsive to local and regional viewpoints. On the other hand, there are distinct advantages in the fact that the permanent and total disability insurance program would be far enough removed from local influence to be free of the pressures which might result in widely divergent local standards and concepts. The Council believes the recommended program can be administered to achieve a desirable balance of interests and influences.

APPENDIXES—PERMANENT AND TOTAL DISABILITY INSURANCE

APPENDIX II—A. ACTUARIAL COST ESTIMATES FOR PERMANENT AND TOTAL DISABILITY BENEFITS

Estimates of future costs of permanent and total disability benefits to be added to the old-age and survivors insurance system are affected by the same factors arising in connection with the estimates for old-age and survivors insurance as outlined in the preceding report on that subject.¹ In addition there are certain other factors which enter in, principally, (1) the probability of a person's becoming disabled and eligible for benefits—a factor that varies by age and sex; and (2) the probability of such a disabled person's continuing to receive benefits, with termination depending on the events of death, recovery, or attainment of age 65 (and hence eligibility for old-age retirement benefits)—a factor that varies by sex, age at disability, and duration of disability.

A relatively wide range in disability cost estimates is necessary because there are no available experience data on a social insurance system that pays disability benefits of the type under consideration and at the level presumed. Moreover, it is difficult to estimate the effect of the four types of insured status requirements on the number of persons who will be eligible at various periods in the future.

It is estimated that the level premium cost² of the disability benefits proposed will be about one-tenth to one-fourth percent of pay roll. These figures include not only the actual cost of disability benefits to disabled individuals under age 65 but also the additional cost for old-age and survivor benefits resulting from "freezing" the disabled individual's insured status and average wage.

Considering the disability benefit costs of various future years as related to pay roll, it is anticipated that the trend will level off after a relatively short time—perhaps in 20 or 25 years. In the early years of operation the benefit outgo will be very small because of (1) the natural slow growth in building up a benefit roll; (2) the stringent qualifying requirements which for a number of years will exclude most of those who in the past had been primarily engaged in employment newly covered under the system; and (3) the delay in filing, as well as the nonfiling, of claims by persons who are not familiar with the program.

After the program has been in operation for a few years, the number of new disability claims arising annually will range from 20,000 to 50,000, although after perhaps a decade or so, when the full effect of the extension of coverage has made itself felt, this number will rise to perhaps 40,000 to 100,000. Eventually the total number of dis-

¹ See pp. 50-60.

² The level premium contribution rate is the rate which would support the system in perpetuity if collected from the first year.

abled persons who are on the benefit roll and who are under age 65 will number roughly 300,000 to 800,000. The eventual annual cost of the proposed permanent and total disability benefits as a percentage of pay roll will probably range from somewhat more than 0.1 to possibly as much as 0.3 percent of pay roll; in terms of dollars this corresponds to about 200 to 500 million dollars a year.

When the relatively small cost for disability benefits as set forth above is added to the estimated cost for the expanded old-age and survivors insurance program recommended, the over-all cost is increased only slightly. Thus, including disability benefits as proposed in this report the level premium cost of the entire expanded program would range from 5 to 7½ percent of pay roll, while the ultimate annual cost after the old-age, survivors, and disability insurance system had been in operation for some 50 years or more would be about 6 to 10 percent of pay roll. In view of the small increase in costs resulting from these disability recommendations, there would seem to be no need to consider a special increase in contributions to finance the disability benefits.

TABLE 2.—*Estimated permanent and total disability beneficiaries and benefit disbursements under Advisory Council proposal*

[In thousands of persons and millions of dollars]

Calendar year	Number of beneficiaries	Benefit disbursements	Benefits as percent of pay roll
Low cost estimate			
1960.....	157	\$97	.07
1970.....	221	135	.09
1980.....	252	153	.10
1990.....	267	163	.10
2000.....	300	182	.10
High cost estimate			
1960.....	454	\$264	.19
1970.....	629	362	.24
1980.....	711	409	.26
1990.....	739	425	.27
2000.....	800	458	.29

APPENDIX II-B. MEMORANDUM OF DISSENT BY TWO MEMBERS

Total disability should be covered by State assistance programs aided by Federal grants and should not be included in a Federal contributory social-security program.

Lessons from life insurance experience

A persuasive theoretical case can be made for including total disability benefits in the Federal old-age and survivors insurance system. Total disability is a distressing catastrophe involving serious consequences for those whom it overtakes and for their dependents. However, the way to meet the situation and at the same time avoid many of the pitfalls indicated by life insurance and other experience is on an assistance basis.

In the 1920's a persuasive case was developed for the inclusion of total and permanent disability income provisions in life-insurance policies. There was no doubt that this type of insurance was popular and met a real need. Accordingly the life-insurance companies issued large amounts of insurance providing the disability income benefits only to learn by hard experience during the depression of the 1930's, involving literally hundreds of millions of dollars of losses, that insurance of this type cannot be issued safely except under severe restrictions as to benefit provisions, rigid selection of risks, high premium charges, the most careful scrutiny of new claims, and an adequate follow-up of those receiving disability incomes.

It is sometimes claimed that the difficulties and losses incurred by the life-insurance companies arose from the overinsurance of well-to-do persons who built up disability insurance coverage to unsound levels. It is true that this was a source of heavy loss. However, the hazard of the disability coverage was clearly evident in group insurance where the rates of disability during the depression rose to a greater extent than did the rates under ordinary insurance. The group experience is much more significant as a criterion in considering total disability on a contributory basis in a social-security program because it related to wage earners, was issued on a wholesale basis without adverse selection by the insured, and was free from the overinsurance characteristics of business issued on an individual basis.

Some life-insurance companies today sell disability income insurance in connection with life insurance to carefully selected male applicants on a very restricted basis and at high rates of premiums. This fact provides no basis whatever for claiming that all gainfully employed persons could safely be covered for total disability in a contributory social-insurance program.

Unfortunately for reasons analogous in some ways but different in others, total disability benefits cannot be included in a Federal contributory social-insurance program with any reasonable assurance that claims can be limited to the type of disability envisaged when the program is adopted. They will get out of hand just as they did in the life insurance experience. The reasons are outlined below.

The break-down of the system is most likely to occur in period of unemployment

In the prosperous years of the middle 1920's, the life-insurance companies were able to administer the total disability insurance provision with relatively little trouble. Because of the problems inherent in a political system providing benefits available to practically all wage earners in all occupations, a Federal contributory total disability benefit program would probably experience more trouble than the life-insurance companies in periods of prosperity when job opportunities are plentiful. However, very serious difficulties would develop when unemployment began to assume major proportions. Under such conditions, there would be tremendous pressure to attempt to prove disability to the extent necessary to get on the Government benefit rolls.

Theoretically it would appear easy to prevent abuse of the system, but practically, as the life-insurance companies discovered, the problem is extremely difficult to handle. The crux of the matter lies in the fact that it is next to impossible to evaluate total disability when there is a determination to attempt to prove that one is disabled in order to obtain a potential life income from the Government. Claims exceedingly difficult to evaluate are those where it is alleged that the disability which prevents one from working is of the subjective type that is next to impossible to disprove—for example, the various manifestations of "rheumatism," feigned or imaginary angina pectoris, and nervous disorders.

Once on the benefit rolls, it would be hard in a large percentage of cases to get the worker to return to his job. An individual's net earnings as a worker after deduction of taxes, union dues, and contributions for insurance benefits, after payment of transportation and meal costs, and purchases of work clothes, would in many instances, not be sufficiently attractive to induce him to return to work as compared with the tax-free disability payments and freedom from other charges. Moreover, being on the benefit rolls would give many persons a welcome sense of security not present in regular employment, especially if they were of the marginal type in ability. Many would prefer a small income with security, to a larger income with what they would consider insecurity.

This would be true because after the period of unemployment which had caused the increase in the number of persons on the benefit rolls, there would be a substantial residue of persons with impaired earning power, whose net earnings if they returned to work, would not be enough more than their benefits, based upon prior earnings records, to make it appear worth while to go back to work. These individuals would do everything in their power to have their disability incomes continued.

Another factor in periods of unemployment that would greatly increase the problem of holding disability claims to proper limits would be the incentive employers would have to lay off inefficient workers who later would be represented as unable to work because of alleged disability. Since the laid-off workers would probably be those whose efficiency was failing, their chances of being employed again at their previous wage levels would be small. Hence their disability benefits, based upon prior wage records, might be very attractive as compared with what could be earned net upon again being employed. The in-

centive therefore to do everything possible to stay on the benefit rolls would be great indeed. With unemployment insurance as the first, and total disability as an eventual later means of support, the temptation to employers to use the system to get rid of inefficient workers could have very serious consequences.

It might be thought that workmen's compensation would provide guidance in appraising the total disability problem. Unfortunately it does not offer much help. Most workmen's compensation cases arise from accidents and are relatively easy to appraise and adjudicate. The insurance companies have had but little difficulty in issuing coverage for disability arising from accidents. It is on the health side that the problems described above are encountered.

Many people are working who the doctors will say are near the border line and should stop work. These individuals will be inclined to stop work, and a careful physician will feel obliged to give them the benefit of the doubt and say they are disabled for benefit purposes, when they are not totally disabled at all.

In the disability field the primary problem is likely to be determination of the present or potential ability to do some work, not the diagnosis of a physical condition. Many individuals with an unquestioned pathological condition are earning their support in properly chosen useful work and in so doing are benefited mentally as well as physically. Others in a similar physical condition are supported in idleness by insurance benefits, an independent income or by their families. In cases of this type, which constitute a large proportion of disabled individuals, whether one earns his living or not depends on economic incentives.

Unfortunately experience demonstrates that cash disability benefits operate as a deterrent to rehabilitation. Entirely aside from the problem of over-all cost, any benefit which diminishes the incentives toward rehabilitation and self-support is socially undesirable.

Benefits as rights

A basic difficulty to bear in mind is that in any system supported by taxes specifically levied for the purpose, workers will look upon benefits as rights to which they are equitably entitled.

This will color their fundamental attitude toward the system and intensify their demands for benefits when their disabilities do not warrant their doing so. In taking this position they will feel they are doing what they are equitably entitled to do and are doing nothing wrong. Moreover, if a person thinks someone else has received benefits when no more disabled than he, he will contend for similar treatment for himself.

Though the right to receive benefits is, of course, always limited by qualifying conditions, yet in the worker's mind it is the question of right that tends to be uppermost, while qualifying conditions are relegated to the background. The former will be stressed, and the latter soft-pedaled. When fulfillment of the conditions can be readily verified objectively, as in the case of death or retirement at a specified age, it is not so easy to lose sight of them or to deny their relevance. However, when a substantial measure of subjectivity is involved, as in many types of disability claims, it becomes simultaneously much easier for a worker to maintain, and harder for an administrator to deny, that the necessary qualifying conditions are

present—and all the more so when the administrator has no strong motive, financial or otherwise, for denying the claim.

The fact that the plan is contributory would not provide a financial incentive for sound administration since the source of the funds would be either the large old-age and survivors insurance reserve fund or general revenues, as indicated below.

In the Federal system there would be strong pressure against, and little incentive for, sound administration of claims

In a system where the payment of benefits depends upon discretion, there is a strong tendency to be generous in the adjudication of claims, especially when the money comes from a reserve fund in Washington amounting to billions of dollars. In the event the Federal Government should bear part of the cost from general revenues, the feeling that the funds for the payment of claims were unlimited would be intensified.

There would also be an incentive to pay border-line claims, arising from a feeling that the money available to the system was going to be used anyhow so that the beneficiaries in a particular locality might as well get their share. Administrators who did a conscientious job and attempted to hold benefits to bona fide claimants would likely be subject to local criticism because their claim rates were lower than those in other communities where lax methods prevailed.

Because the program is operated by the Government, Congressmen are sure to be appealed to for assistance to have claims approved which constituents believe are appropriate, but which in fact are far removed from the total disability classification. Appeals of this kind put conscientious Congressmen in a difficult spot. For those willing to curry favor with constituents at the expense of the reserve fund or of Federal Treasury, as the case may be, the situation offers great opportunities.

It is also clear that in a system where the payment of benefits is dependent upon broad discretionary powers to be exercised by Government employees, there would be opportunity for a national administration to use the system to influence votes. The mere expression of an attitude toward the treatment of claims would be sufficient to determine the votes throughout the whole country of large numbers of beneficiaries, actual or potential, and their families. There would also be wide open opportunity for political favoritism in handling claims which any political party in power could use with great effect if it so desired.

A large percentage of covered workers are women (18 million, or 40 percent, in 1944)

In 1944 over 8,000,000 women were fully insured under the old-age and survivors insurance system and more than half had worked steadily in covered employment for 8 years. Women are the most difficult group to insure against disability. Claims of disability for types of physical ailments that cannot be disproved are exceedingly common, e. g., nervous disorders, rheumatism, etc., etc. Life insurance companies found that out, and except to a negligible extent and under very restrictive conditions, women are no longer offered disability income insurance.

There is furthermore the impossibility in many instances of determining attachment to the labor market. A woman may have worked

for years and when unemployment appears, or when she merely wants to stop work and take care of her home, she can quit her job, and after 6 months claim she would like to work but cannot because of physical disability. She can claim she is able only to be around the house and do nothing more. Having paid taxes for disability benefits she will demand them. There would be opportunity for the development of a serious racket in this area; and organizations would spring up to supply individuals with information as to ways and means of making claims which would probably be approved.

All of the foregoing problems are greatly intensified if the woman is married.

Costs

No estimates of costs can forecast the probable drain on the funds resulting from the operation of the forces outlined above.

Experience in other countries

It is sometimes claimed that other countries have blazed the way for the successful inclusion of total disability in a governmental contributory social-insurance program. This type of coverage originated in central Europe. To cite Germany and Austria as examples which we should now emulate will not carry conviction in the United States.

In Great Britain the disability program has heretofore been operated by the so-called "approved societies" in which the benefit claims of workers were adjudged by their associates whose own benefit rights would be endangered by the improper approval of claims. The Socialist government changed this plan in its recent revision of the British social-insurance program, but there has been no experience to indicate that the change will be successful. Furthermore, the benefits under the program have been so low, only 10 to 15 percent of wages on the average, that the incentives to abuse were very much curtailed.

The experience of Central and South American countries cannot be cited as examples we should follow. The social-insurance programs of those countries are new and have built up no adequate experience. Many of them were set up by refugees from central Europe operating through the International Labor Office and simply duplicate the thinking of the central European social-insurance bureaus.

Therefore, there is no valid experience to guide the United States in setting up a contributory total-disability program in its social-security system. The project must be appraised by applying the best possible judgment to the particular situations existing in this country.

Present proposals as an entering wedge

It is generally advocated by those favoring the proposed plan for including disability benefits in the old-age and survivors insurance system, that the program be expanded as soon as the initial experience would appear to warrant. The proposed rules for eligibility are quite restrictive and the level of benefits relatively low as compared with old-age and survivors insurance. It has been the general experience that the smaller the benefits in relation to the individual's normal earnings, the lower the rates of becoming disabled. Therefore, given a few years of relatively high employment, the experience is likely, on the surface at least, to appear to contradict the critics and to justify liberalization of the program all along the line. Thus the stage

would be set for changes which would bring about the extremely serious consequences described above. The way to avoid them is to seek another, safer solution to the problem.

Total disability should be provided for under State assistance programs with Federal grants-in-aid

In view of the many pitfalls involved in Federal contributory disability insurance, the problem should be met through the development of State assistance programs providing for Federal grants-in-aid. This should be accomplished under a plan setting up a new specific category of total disability. At the same time it would be wise to provide for a much more liberal means test than is required in other types of assistance cases. Since wherever possible the emphasis should be on restoring the worker to productive activity, it would be unfortunate to have him and his family reduced to destitution in the process, thus handicapping him in his efforts to again become a useful member of society.

The States already have the vocational rehabilitation agencies that would be essential to the proper functioning of the program. One of the undesirable consequences of plans which pay cash disability benefits as a matter of right, is that they tend in so many instances to cause the individual person to resist the process of rehabilitation. When State agencies handle cases on the basis of need, they have much greater authority in insisting upon rehabilitation.

The States have agencies close to the disabled in their homes, including medical and case work facilities for treating individual cases. They can retrain and rehabilitate many disabled persons, find work for them and render such financial assistance as befits each case. Where institutional treatment is required, State and local institutions already care for many disabled, and this service would be expanded under the proposed program.

In such a State plan the prime emphasis should be on rehabilitation—medical and vocational—rather than on benefits. Rehabilitation should be undertaken wherever there is any indication that it would help the disabled person, and cash assistance should be conditioned on the need for and acceptance of rehabilitation measures. Disabled persons should be well instructed as to the superior value and importance of rehabilitation, so that they would come to realize that the best service the State could render them would be to restore their capacity for self-support, if only in part. As an incentive in this direction there should be assurance of work in a protected labor market (sheltered workshops) for those whom rehabilitation measures cannot fully reequip for a place in the open labor market, or while they are undergoing reconditioning.

A decentralized system of this kind would render unnecessary the extensive organization of Nation-wide facilities under Federal control to provide the medical, technical, and nursing staffs required to handle total disability cases. The country should stop, look, and listen before setting up a far-flung Federal bureaucracy in this area with the wide discretionary latitude in paying benefits which a Federal program would necessarily entail.

It would be much safer to have the system handled by State agencies. Since the local taxpayers' own money would be used in carrying out the program there would be an incentive to administer claims properly

which would not exist if the money came from Washington and was dispensed by Federal agents. Benefits could not be considered as rights which had been paid for. Hence doubtful or fraudulent claims could be held to a minimum.

As in all governmental programs there would, of course, be the possibility of political abuse in the State systems. However, it would probably be absent in most States. Where it did creep in, it would not be all in one direction as it would be under a Federal system which would present a ready-made instrument at hand for any party which might desire to abuse it. Under the State systems, different States would tend to cancel each other out politically.

The State systems would not function perfectly from the start. In many instances it would take time for the programs to be developed to a high state of efficiency. However, the presence of Federal grants-in-aid and the setting up of standards would stimulate the process. Furthermore, the substantial enlargement of benefits for the aged and for children proposed under the old-age and survivors insurance system, would before long relieve the States of some of their financial burdens in these areas, and thus release funds for the total disability program.

Total disability obviously would affect a worker's earning record under the old-age and survivors insurance system. It should therefore be provided that the State authorities would certify to the Social Security Administration each quarter during which an individual was totally disabled and receiving benefits or rehabilitation under the State system. Then in computing the average wage for old-age and survivors insurance purposes, the numerator of the fraction would contain no wages for the quarters of total disability and the same quarters would be eliminated from the denominator.

CONCLUSION

The discussion of total disability leads naturally to a consideration of the proper role of a Federal system of contributory social security in a vast country like ours. Among the first tests to be applied is the degree of discretion involved in determining the eligibility for benefits. In old-age and survivors insurance such determination is largely objective, requiring but little discretionary decision. Total disability on the other hand involves a great deal of subjective consideration, both on the part of the individuals concerned and of those who administer claims. Disability claims vary greatly as to types and circumstances and require widely differing methods of individual treatment.

Because of these subjective characteristics, the handling of total-disability cases belongs peculiarly in the realm of the individual States and not in that of the Federal bureaucracy. Turning over to the Federal Government this area of individual care would mean further encroachment of Washington upon State authority, further building up of the Federal pay-roll vote and of the potential opportunity to exert Nation-wide political influence in the handling of benefit payments. The fact, as previously indicated, that the Federal plan might be set up originally with strict conditions as to eligibility and with limited benefits would provide little if any ultimate protection. Once on the statute books, continuous efforts would be

made to liberalize the eligibility rules and raise the benefit levels. The country would be well advised not to start on this seductive path in the first place.

It would be most unfortunate if, because of budgetary problems, the States should be persuaded to reject a properly devised total-disability-assistance program involving Federal grants-in-aid. A system of this kind would lead to tremendous improvement in the State systems which are now attempting to handle disability cases with but little Federal aid. It would have the great advantage of avoiding the serious and perhaps irrevocable error of providing total-disability benefits to individuals as a matter of right under a Federal contributory program.

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