

April 1992

SOCIAL SECURITY

Racial Difference in Disability Decisions Warrants Further Investigation



146566

**RESTRICTED--Not to be released outside the
General Accounting Office unless specifically
approved by the Office of Congressional
Relations.**

RELEASED

—



United States
General Accounting Office
Washington, D.C. 20548

Human Resources Division

B-247327

April 21, 1992

The Honorable William S. Cohen
Ranking Minority Member
Special Committee on Aging
United States Senate

Dear Senator Cohen:

In response to a request by the late Senator John Heinz, former Ranking Minority Member of the Committee, we are providing information on the lower allowance rate for black applicants, when compared with white applicants, to the Social Security Disability Insurance and Supplemental Security Income programs. We examine possible reasons for the racial difference in the initial disability decisions of state agencies and in the appeals decisions of administrative law judges.

As agreed with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of this letter. At that time, we will send copies to interested congressional committees, the Secretary of Health and Human Services, the Office of Management and Budget, the Commissioner of Social Security, and other interested parties, and will make copies available to others on request.

This work was carried out under the direction of Joseph F. Delfico, Director, Income Security Issues, who may be reached on (202) 512-7215. Other major contributors are listed in appendix V.

Sincerely yours,

Lawrence H. Thompson
Assistant Comptroller General

Executive Summary

Purpose

Over the past 30 years, under the Social Security Disability Insurance (DI) program, blacks have consistently been allowed benefits at lower rates than whites, with the magnitude of the difference ranging between 4 and 13 percentage points. For example, in 1988, 29 percent of blacks, compared with 36 percent of whites, were allowed DI benefits. Under the Supplemental Security Income (SSI) program, a similar racial difference has occurred for at least the last 5 years. In 1988, 29 percent of blacks, compared with 37 percent of whites, were allowed SSI benefits.

The late Senator John Heinz, former Ranking Minority Member of the Senate Special Committee on Aging, requested that GAO conduct a study that analyzed and interpreted the circumstances surrounding the lower allowance rate among blacks. In response, GAO examined 1988 disability decisions for evidence of possible discrimination against blacks. Specifically, GAO addressed the following questions: (1) Within the general population and the population of the severely impaired, is a smaller proportion of blacks than whites receiving DI and SSI benefits? (2) Can the racial difference in allowance rates among black and white applicants be explained by differences in severity and type of impairment or applicants' demographic characteristics?

Background

The DI program provides income replacement for the disabled who have enough work experience to be insured under Social Security. The SSI program provides federal and state assistance to the disabled whose income and resources are below a specified amount, regardless of insured status. Both programs only compensate those disabled who, because of a physical or mental impairment, cannot work for at least 1 year.

In fiscal year 1990, the DI program paid about \$24.8 billion to 3 million disabled workers and 1.3 million of their dependents. The SSI program paid about \$12.9 billion to an additional 3.4 million disabled.

The Social Security Administration (SSA) administers both programs with the help of state disability determination services (DDSS). DDSS make the initial decision as to whether an applicant should be allowed benefits. An applicant initially denied benefits can appeal the decision to several levels of administrative review, including review by SSA's administrative law judges (ALJs).

SSA has analyzed the reasons for the lower allowance rate for blacks, as compared with whites, in initial disability decisions. The studies have

shown that differences in demographic characteristics, especially in applicants' age, and a higher application rate among blacks account for much of the racial difference in allowance rates. Black applicants tend to be younger than white applicants; younger applicants have a lower allowance rate regardless of race. More blacks with less severe disabilities apply for benefits, SSA further concluded, which leads to a higher application rate and, in turn, a lower allowance rate among blacks. SSA has not studied the racial difference in appeals decisions.

Using SSA and Census data bases for 1988, GAO examined the number of black and white applicants, allowances, and beneficiaries relative to (1) the total working-age population in each race group and (2) the number of working-age adults with severe impairments in each race group. GAO examined 1988 allowance rates, including subsequent appeals decisions, broken down by type of impairment and demographic characteristics—age, education, sex, geographic location, and percent urban population. GAO also attempted to analyze whether blacks applied more frequently with less severe impairments than did whites.

Results in Brief

Within the general population, GAO found that blacks were receiving benefits at a higher rate than whites; within the severely impaired population, blacks were receiving benefits at a rate comparable with that of whites. This is so, on the whole, notwithstanding the lower allowance rate among blacks who apply for benefits each year.

For the most part, the lower black allowance rate in 1988 initial decisions for the DI and SSI programs appears to be attributable to black applicants' having less severe impairments and being younger than whites. In initial decisions, proportionally more blacks than whites were judged to have nonsevere impairments. For applicants judged to have more severe impairments, except young SSI applicants, the racial difference in allowance rates could be explained by applicants' age and impairment types. Blacks were younger and had impairments associated with lower allowance rates, regardless of race.

For SSI applicants aged 18 to 24, however, the racial difference in initial decisions was almost twice that of any other age group. The racial difference was largely unexplained by differences in severity and type of impairment or in demographic characteristics.

Moreover, at the ALJ appeals level, racial difference in allowance rates was larger than at the other levels and did not appear to be related to severity or type of impairment, age or other demographic characteristics, appeal rate, or attorney representation.

Principal Findings

Blacks Receiving Benefits at Higher Rate Than Whites in Populations Overall

Despite the lower allowance rate among black applicants, GAO found that within the general and severely impaired populations, blacks were receiving Social Security disability benefits at a rate higher than or equal to that of whites. In 1988, within the general population of working-age adults, blacks were almost twice as likely as whites to be receiving DI benefits and four times as likely to be receiving SSI benefits (see p.22). Within the working-age population that was severely impaired in 1988, blacks were receiving DI and SSI benefits at a rate comparable with that of whites (see pp.26-28). Blacks in the general population were receiving benefits at a higher rate because they applied at a higher rate, thus offsetting their lower allowance rate (see p.23). A larger proportion of blacks than whites were also severely impaired, accounting for blacks' higher application rate and their receiving benefits at a rate comparable with that of whites within the severely impaired population (see p.25).

Racial Difference in Initial Decisions Explained by Demographic Characteristics and Impairments

Under the DI program in 1988, state DDSs allowed benefits to 29 percent of black applicants and 36 percent of whites; under the SSI program, DDSs allowed benefits to 29 percent of blacks and 37 percent of whites. The racial difference was largest for schizophrenia and "other" mental disorders, as well as neurological/sensory and respiratory disorders. (See pp.30-33.) In determining disability, state officials first screen applicants for impairments of relatively low severity. A higher proportion of blacks than whites were denied benefits at this screen. (See pp.33-34.) Assuming the screen is not biased, this indicates that more blacks apply with less severe disabilities. For blacks and whites who passed the screen for nonsevere impairments, except for young SSI applicants, most of the allowance rate difference could be explained by differences in applicants' age and impairment type. The black allowance rate was lower than the white rate primarily because black applicants were concentrated in age groups and had impairments, such as hypertension, that had low allowance rates regardless of race. (See pp.35-37.)

**Racial Difference Among
Young SSI Applicants Largely
Unexplained by Factors
GAO Analyzed**

For SSI applicants between the ages of 18 and 24, the racial difference in allowance rates was larger than for DI or other SSI applicants: 34 percent of blacks were allowed benefits compared with 47 percent of whites (see p.31). Among those who passed the screen for nonsevere impairments, 51 percent of blacks and 60 percent of whites were allowed benefits. This difference of 9 percentage points was largely unexplained by differences in education, sex, geographic location, percent urban population, or impairment type. As with all applicants, the racial difference in allowance rates in this age group was particularly large for mental and neurological/sensory disorders. Applicants aged 18 to 24 made up a relatively large percentage of SSI applicants (13 percent of blacks and 20 percent of whites). (See p.37.)

**Racial Difference in ALJ
Decisions Largely
Unexplained by Factors
GAO Analyzed**

At the ALJ appeals level, blacks appealed initial denials at a slightly lower rate and had a lower allowance rate than whites. Under the DI program, ALJs allowed benefits to 55 percent of black and 66 percent of white appellants. Under SSI, ALJs allowed 51 percent of black and 60 percent of white appellants. For the most part, GAO could not explain the racial difference by other factors, such as demographics or impairment type (see pp.40-45). The racial difference in allowance rates varied widely across SSA's 10 regions. The New York and Chicago regions showed the largest racial difference (see p. 43).

**Recommendations to
the Commissioner,
Social Security
Administration**

GAO recommends that the Commissioner, Social Security Administration, investigate the reasons for the racial difference in allowance rates in the initial DDS decisions for young SSI applicants, as well as for all decisions at the ALJ level, and that the Commissioner act to correct and prevent any unwarranted disparities. In addition, GAO recommends that the Commissioner look into the criteria used in adjudicating cases involving schizophrenia and "other" mental, as well as neurological/sensory and respiratory, disorders, all of which had a large racial difference in allowance rates.

Agency Comments

In commenting on a draft of this report, SSA concurred with GAO's recommendations (see app. V). However, SSA raised a concern pertaining to one aspect of the methodology GAO employed in its analysis of ALJ decisions. GAO continues to believe that its approach and results are sound. (See p. 48.)

Contents

Executive Summary		2
Chapter 1		10
Introduction	Eligibility Determination and Appeals Process	10
	Racial Difference in Allowance Rates Has Existed for Many Years	14
	Objectives, Scope, and Methodology	16
Chapter 2		20
Black Population Receiving Benefits at Equal or Higher Rate Relative to White Population	Blacks in General Population More Likely Than Whites to Be Receiving Benefits	22
	Severely Impaired Blacks and Whites Receive Benefits at Comparable Rates	26
	Young Blacks Apply for and Are Allowed Benefits at Lower Rate Within Severely Impaired Population	29
	Conclusions	29
Chapter 3		30
Lower Black Allowance Rate at Initial Decision Level Largely Explained by Demographic Characteristics and Impairments	Racial Difference in Allowance Rates Prevalent Across All Subgroups of Demographic Characteristics and Impairment Types	30
	Higher Percentage of Blacks Denied for Nonsevere Impairments	30
	Demographic Characteristics and Impairment Type Explain Racial Difference for Severely Impaired DI Applicants	30
	Demographic Characteristics and Impairment Type Explain Much of the Racial Difference for Most SSI Applicants	30
	Conclusions	30
	Recommendations	30
	Agency Comments	30
Chapter 4		30
ALJ Appeals Level Introduces Questionable Racial Difference in Allowance Rates	Low Allowance Rates for Both Races at Reconsideration Level	30
	Racial Difference at ALJ Level Large and Unaccounted for by Factors We Analyzed	40
	Final Outcome Shows Lower Black Allowance Rates Partially Explained by Factors We Analyzed	45
	Conclusions	47

Contents

Recommendation	47
Agency Comments	47

Appendixes

Appendix I: Five-Step Sequential Evaluation Process	50
Appendix II: SSA Studies of Factors Underlying Racial Difference in Allowance Rates	52
Appendix III: Detailed Methodology	55
Appendix IV: Supplementary Tables	59
Appendix V: Comments From the Social Security Administration	74
Appendix VI: Major Contributors to This Report	77

Tables

Table 1.1: DI and SSI Allowance Rates for Blacks and Whites (Not Including Appeals Decisions)	15
Table 1.2: DI Allowance Rates for Blacks and Whites (Including Appeals Decisions)	15
Table 1.3: Blacks and Whites Whose Applications Were Decided by DDSs, by Decision Level (1988)	18
Table 2.1: 1988 Rate Calculations	20
Table 2.2: Blacks and Whites With Severe Impairments in the General Population	25
Table 3.1: Initial DI and SSI Allowance Rates by Demographic Characteristics (1988)	31
Table 3.2: Initial DI and SSI Allowance Rates by Impairment Type (1988)	33
Table 3.3: Initial Decision Bases for DI and SSI Applicants (1988)	34
Table 4.1: DI and SSI Allowance Rates for ALJ Decisions by Demographic Characteristics (1988 Cases)	41
Table 4.2: DI and SSI Allowance Rates for ALJ Decisions by Impairment Type (1988 Cases)	42
Table 4.3: Regional Variation in ALJ Allowance Rates (1988 Cases)	43
Table III.1: Social Security Administration Data Sources	55
Table III.2: Results of Logistics Regression Analysis	58
Table IV.1: Application Rates for the General Population Aged 18 to 64 (1988)	59
Table IV.2: Incidence Rates for the General Population Aged 18 to 64 (1988)	60
Table IV.3: SSA Data on Application and Incidence Rates for the General and Insured Populations (1989)	60

Table IV.4: Application Rates for Severely Impaired Population Aged 18 to 64 (1988)	61
Table IV.5: Incidence Rates for Severely Impaired Population Aged 18 to 64 (1988)	62
Table IV.6: Distribution of All DI and SSI Applicants by Demographic Characteristics and Impairment Type (1988)	63
Table IV.7: Initial DI and SSI Allowance Rates by Demographic Characteristics and Impairment Type for Applicants Who Passed the Screen for Nonsevere Impairments (1988)	64
Table IV.8: Distribution of DI and SSI Appellants at ALJ Appeals Level by Demographic Characteristics and Impairment Type (1988)	66
Table IV.9: DI and SSI Allowance Rates for ALJ Appeals Decisions by Demographic Characteristics and Impairment Type for Appellants Who Passed Initial DDS Screen for Nonsevere Impairments (1988 Cases)	68
Table IV.10: Final Cumulative DI and SSI Allowance Rates by Demographic Characteristics and Impairment Type (1988 Cases)	70
Table IV.11: Final Cumulative DI and SSI Allowance Rates by Demographic Characteristics and Impairment Type for Applicants Who Passed Initial DDS Screen for Nonsevere Impairments (1988 Cases)	72

Figures

Figure 1.1: Five-Step Sequential Evaluation Process	12
Figure 1.2: Disability Decision and Appeals Process	13
Figure 2.1: Prevalence Rates for DI and SSI Benefits per 1,000 Adults Aged 18 to 64 (1988)	22
Figure 2.2: Application Rates for DI and SSI Benefits per 1,000 Adults Aged 18 to 64 (1988)	23
Figure 2.3: Incidence Rates for DI and SSI Benefits per 1,000 Adults Aged 18 to 64 (1988)	24
Figure 2.4: Prevalence Rates for DI per 1,000 Severely Impaired Adults Aged 18 to 64 (1988)	27
Figure 2.5: Prevalence Rates for SSI per 1,000 Severely Impaired Adults Aged 18 to 64 (1988)	28
Figure 4.1: Racial Difference in Cumulative Allowance Rates Larger Than at Initial Level for DI Program (1988)	46
Figure 4.2: Racial Difference in Cumulative Allowance Rates Larger Than at Initial Level for SSI Program (1988)	46

Contents

Abbreviations

ALJ	administrative law judge
CPS	Current Population Survey
DDS	disability determination service
DI	Social Security Disability Insurance
MBR	Master Beneficiary Record
NHIS	National Health Interview Survey
OHA	Office of Hearings and Appeals
RFC	residual functional capacity
SGA	substantial gainful activity
SIPP	Survey of Income and Program Participation
SSA	Social Security Administration
SSI	Supplemental Security Income
SSIRD	SSI Record Description

Introduction

The Social Security Disability Insurance (DI) and the Supplemental Security Income (SSI) programs are the nation's two largest federal programs providing cash benefits to people with severe long-term disabilities. The DI program is the nation's primary source of income replacement for disabled workers insured for Social Security benefits. The SSI program provides federal and state assistance to the disabled, regardless of insured status, whose income and resources are below a specified amount.

Over the past 30 years, under the DI program, the proportion of black applicants allowed benefits has been consistently lower than the proportion of white applicants. Analyses of decisions within the past 5 years have shown a racial difference in allowance rates under SSI similar to that found under DI.

For this report, we studied the reasons for, and effects of, these lower allowance rates for blacks. We examined whether, within the entire U.S. population and the population of the severely impaired, blacks receive DI and SSI benefits at lower rates than whites. We also examined whether the racial difference in the proportion of applicants allowed benefits could be explained by differences in severity or type of impairment or applicants' demographic characteristics.

Eligibility Determination and Appeals Process

The DI program was authorized in 1956 under title II of the Social Security Act. The program provides monthly cash benefits to disabled people under the age of 65 who are insured for Social Security benefits. In general, people over the age of 30 are insured if they have worked in Social Security-covered jobs for 20 calendar quarters (or 5 years) within the past 10 years. Lesser work requirements apply to applicants aged 30 or younger.

The SSI program was authorized in 1972 under title XVI of the Social Security Act. The program provides federal and state assistance to the aged, blind, or disabled whose income and resources fall below a certain level. As of January 1992, to qualify for SSI, a person's countable monthly income could not be more than the federal benefit rate of \$422;¹ the value of real or personal property (including cash), at the beginning of any given month, could not exceed \$2,000. Those who are insured under Social

¹Countable income refers to income received (both earned and unearned) on a monthly basis after applying appropriate exclusions. Exclusions include \$65 of earned income, plus one-half of the month's remaining earned income, and the first \$20 of unearned income.

Security and meet SSI's income and resource requirements can qualify for both DI and SSI benefits.

The Social Security Administration (SSA) administers the DI and SSI programs with the assistance of state agencies. State disability determination services (DDSS) make the initial decision as to whether an applicant's impairment is sufficiently disabling to qualify for benefits.² Applicants denied benefits by DDSS may appeal their decisions at various levels of administrative review—first by DDSS, then by SSA's administrative law judges (ALJs), and, ultimately, in federal court.

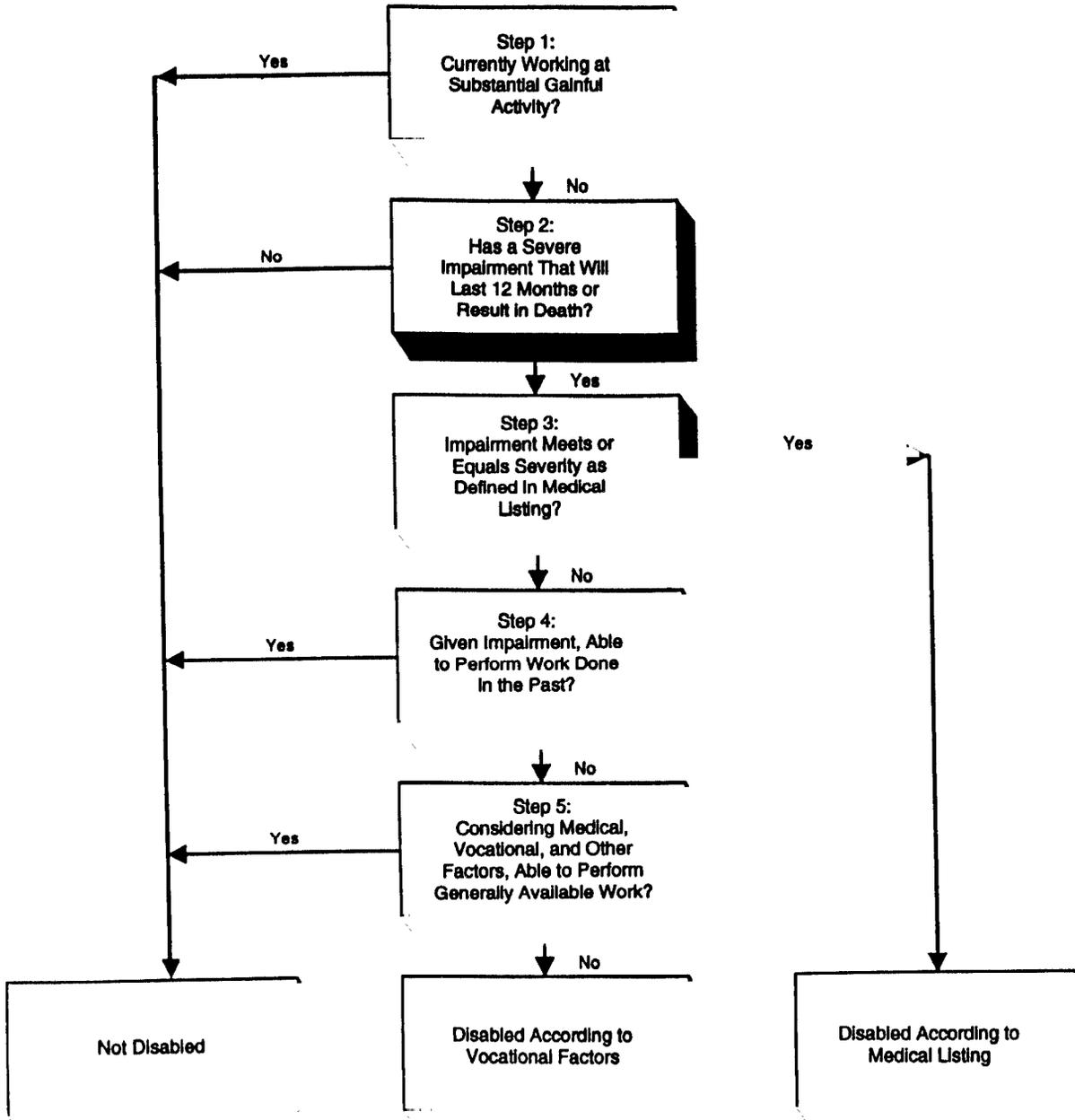
To be considered disabled for either program, a person must be unable to work at any substantial, gainful level,³ because of a physical or mental impairment that is expected to result in death or to last for at least 12 months. A person would not qualify for benefits if an impairment limits but does not preclude such subsistence level work or if it is expected to last fewer than 12 months.

To apply for disability benefits, a person must file an application at one of SSA's over 1,300 field offices or other authorized locations. To determine whether an applicant qualifies for disability benefits, the application proceeds through a five-step sequential evaluation process developed by SSA (see fig. 1.1).

²Impairment refers to the medical problem(s) affecting a person's capacity to work

³Work activity is generally considered substantial and gainful if the person's earnings exceed a particular level (currently \$500 monthly), established in regulations.

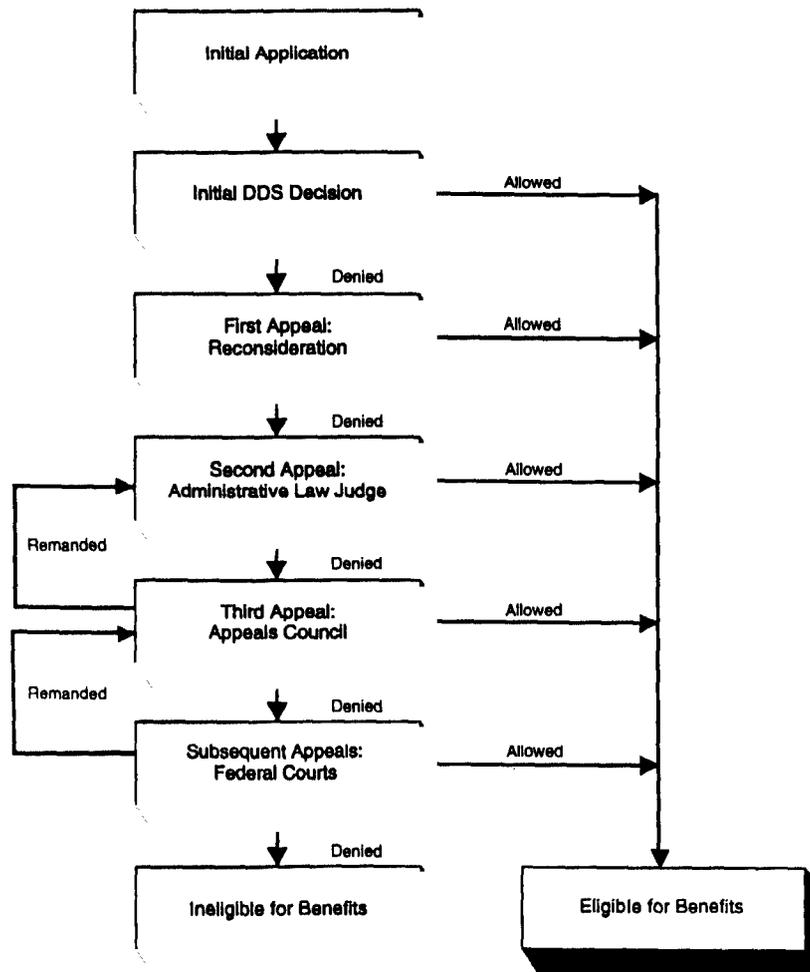
Figure 1.1: Five-Step Sequential Evaluation Process



In step one, the field office determines if the applicant meets the programs' nonmedical eligibility requirements; for DI, these include a finding of whether the applicant is insured or has recently worked. In steps two through five, the DDS determines whether the applicant is sufficiently disabled to qualify for benefits. The DDS processes the application through these four steps until a determination of disability or no disability is made. See appendix I for further details on this process.

SSA has a multilayered administrative structure to handle appeals of denied disability applications (see fig. 1.2). When an application

Figure 1.2: Disability Decision and Appeals Process



is denied by a DDS, the person may request that the DDS reconsider the application. The reconsideration is conducted by different personnel from those who made the initial determination; the process for determining disability, however, is the same.

If the application is denied at the reconsideration level, the person may request a hearing by one of approximately 850 ALJs. These ALJs are part of SSA's Office of Hearings and Appeals (OHA), and are located in 132 offices across the country. ALJs hold hearings at which applicants and, at an ALJ's request, a medical or vocational expert or both may submit additional evidence. Attorneys usually represent applicants at these hearings. ALJs, however, can make their decisions without a hearing, if requested. ALJs generally allow or deny benefits, but cases may also be dismissed either at the applicant's request or for other reasons, including failure to meet certain procedural requirements.

When an application is denied by an ALJ, the applicant may request a review by SSA's Appeals Council. The Appeals Council may affirm, modify, or reverse the decision of the ALJ, or it may remand the case to the ALJ for further consideration or development. Either the applicant or the agency may appeal a council's decision in federal court.

Racial Difference in Allowance Rates Has Existed for Many Years

In the 30 years since 1961 for which applicants' race has been examined, blacks under the DI program have had a lower allowance rate than whites in initial as well as appeals decisions (see table 1.1 and table 1.2). Available information, within the past 5 years, on initial disability decisions under the SSI program shows a racial difference in allowance rates comparable with those under the DI program (see table 1.1).

**Chapter 1
Introduction**

Table 1.1: DI and SSI Allowance Rates for Blacks and Whites (Not Including Appeals Decisions)

Year	DI Program		SSI Program	
	Whites	Blacks	Whites	Blacks
1971	.48	.42	^a	^a
1984	.35	.26	^a	^a
1986	.39	.33	.44	.38
1988	.36	.29	.37	.29
1989 ^b	.43	.35	.39	.32

^aData unavailable.

^bDI allowance rate for 1989 is for applicants to DI only.

Sources: For 1971, M.E. Lando, "Demographic Characteristics of Disability Applicants: Relationship to Allowances," Social Security Bulletin (May 1976), pp. 15-23; for 1984, 1986, and 1988, GAO analysis of SSA's disability determination file; and for 1989, SSA analysis of applications sampled in its quality assurance review.

Table 1.2: DI Allowance Rates for Blacks and Whites (Including Appeals Decisions)

Year	Race	
	Whites	Blacks
1961	.26	.20
1962	.36	.25
1963	.43	.35
1964	.55	.51
1965	.68	.62
1966	.75	.71
1967	.70	.61
1969 ^a	.54	.46
1977	.53	.40
1978	.53	.39
1980	.39	.27
1981	.37	.25
1982	.35	.25
1983	.39	.30
1984	.43	.33
1985	.40	.33

^aEstimates for 1969 and later are based on samples.

Sources: For 1961 to 1969, Service to the Public, Social Security Administration, Office of Administration (Washington, D.C.: GPO, 1971), tables 51, 54, and 55. Remaining information comes from SSA's Continuing Disability History Sample.

SSA has studied the racial difference in initial disability decisions, and explored possible reasons for the lower proportion of blacks being allowed benefits.⁴ Based on those studies and other research on health care and racial discrimination, we believe there could be several possible reasons for the lower allowance rate among blacks. Blacks may have demographic and occupational characteristics that are associated with lower allowance rates regardless of race. In addition, blacks may apply with less severe impairments. Black applicants may also be less likely to have sufficient medical documentation for their disabilities. Further, those making the disability decisions or the criteria used in determining disability may have biases that lead to blacks being denied benefits more often than whites.

SSA's analyses show that racial difference in age and the severity of applicants' impairments explains, at least in part, blacks' lower allowance rate in initial disability decisions. There is little information on the extent to which the racial difference in allowance rates results from differences in documentation or bias. The information that is available from SSA's quality assurance reviews of DDS decisions, however, suggests that the lower allowance rate for blacks does not result from racial difference in documentation or personal biases on the part of deciding officials. See appendix II for a more detailed summary of the results of SSA's analyses.

Objectives, Scope, and Methodology

Our principal objective was to analyze the circumstances surrounding the lower proportion of allowances among black applicants, as compared with white applicants, to the DI and SSI programs. Specifically, we addressed the following questions:

- Within the general population and the population of the severely impaired, does a smaller proportion of blacks than whites receive DI and SSI benefits?
- To what extent is the racial difference in allowance rates between black and white applicants in initial and appeals decisions explained by differences in severity and type of impairment or demographic characteristics?

Within the context of the second question, we considered the following specifics, raised in the request letter from the late Senator John Heinz:

- Were blacks consistently denied at a particular point in the sequential evaluation process?
- For what types of disabilities were blacks most often denied benefits?

⁴SSA did not examine the racial difference in allowance rates at the ALJ level.

- Was the racial difference consistent across the country and in urban and rural areas?
- Were blacks less likely to appeal initial DDS denials?

For the DI and SSI programs, we analyzed data on initial and appeals decisions for blacks and whites for whom DDSs rendered initial decisions in calendar year 1988. We limited our analysis to appeals at the first and second levels of administrative review—DDS reconsideration and ALJ appeals (see fig. 1.2). Because relatively few cases go to the Appeals Council (the third level of review) and only a small proportion of those appealing to the Council are allowed benefits, we believe that decisions at this level would not greatly affect the racial difference in allowance rates overall. Therefore, we did not analyze cases beyond the ALJ level of appeal. We chose applications initially decided in 1988 because, according to SSA, the data for that year were complete and most appeals would have been resolved by 1991.

For the DI program, we limited our study to workers, aged 18 to 64, who applied for benefits on the basis of their own work records.⁵ Applicants to the DI program include those applying just for DI benefits, as well as those simultaneously applying for DI and SSI benefits. For the SSI program, we selected applicants between the ages of 18 and 64 who had applied only for SSI benefits based on disabilities.⁶ About 700,000 whites and 245,000 blacks met our criteria for inclusion in the study (see table 1.3). We obtained information on applicants and their initial, reconsideration, and ALJ decisions from various SSA data bases (see app. III, table III.1).

⁵Spouses and dependent children of disabled workers can also apply for disability benefits, but they are considered auxiliary beneficiaries and are allowed or denied benefits based on the primary worker's disability.

⁶People over the age of 64 and those who are disabled and under the age of 18 also qualify for SSI benefits.

Table 1.3: Blacks and Whites Whose Applications Were Decided by DDSs, by Decision Level (1988)

Decision Level	DI Program ^a		SSI Program ^b	
	Whites	Blacks	Whites	Blacks
Initial DDS	553,231	146,131	150,953	93,708
Reconsideration	140,153	36,982	34,867	23,640
ALJ appeals	107,109	27,704	23,933	15,150

^aDI includes applicants for DI only and those who applied concurrently for DI and SSI benefits.

^bSSI applicants are applicants who applied for SSI only.

We used various population estimates in calculating the rates at which blacks and whites in the general and severely impaired populations were receiving benefits in 1988. To determine the rate of DI benefits within the general population, we used, as the population, the number of adults below the age of 65 who were insured under Social Security and, therefore, would have qualified for benefits. Using Current Population Survey (CPS) data, we calculated the rate of SSI benefits within the general population aged 18 to 64. To estimate the rate of DI and SSI benefits within the severely impaired population, we used both CPS and National Health Interview Survey (NHIS) data on the number of blacks and whites who could not work or carry out their usual activities because of illness or disability.⁷ See appendix III for further details on the methodologies used by the various sources in deriving population estimates.

In analyzing the rate of benefits in the population, we assumed that if blacks were receiving benefits at a lower rate than whites, it would be further evidence, along with the lower black allowance rate, of possible discrimination in the disability determination process. Data needed to determine the number of blacks and whites in the population who qualify for and, therefore, should be receiving benefits are unavailable. Our analysis of population rates, therefore, is inconclusive concerning exactly what the relative rates of benefits among blacks and whites should be.

One possible reason for the lower allowance rate among black applicants is that they may have certain impairments and demographic characteristics generally associated with lower allowance rates, regardless of race. We used multivariate analysis techniques to examine the extent to which the racial difference in allowance rates could be statistically attributed to age,

⁷Both sources rely on self-reports of disability or those of family members and, therefore, may not accurately reflect the size of the severely impaired population. Factors other than health, such as economic status (see chap. 2) and stigmas surrounding certain health conditions, may affect the reporting of disability. Population estimates based on objective measures, however, were not readily available.

education, sex, region, percent urban population, and impairment type. It was necessary to control for these factors because, regardless of race, applicants are less likely to be allowed benefits if they are under the age of 55, have moderate amounts of education, are women or from the South and less urban areas, or have certain impairments. If applicants with these characteristics made up a larger proportion of black than white applicants, the racial difference in allowance rates could be at least partially explained by these factors.⁸

In addition, we examined the hypothesis that blacks may apply with less severe impairments more frequently than whites. We used the DDS's assessment of whether applicants had at least a severe impairment, based on decisions made at step two of the sequential evaluation process.⁹ In designing this study, we found that independent measures of severity are not readily available and require extensive resources to develop. We examined the pattern of allowances and denials across the various steps of the sequential evaluation process instead. If blacks had less severe impairments, a higher proportion of blacks should have been denied benefits at step two of the process. We also examined whether the racial difference persisted after eliminating cases that the DDSs had judged to be nonsevere or to lack sufficient documentation for a severity judgment.

In using the DDSs' severity assessments, we are assuming that any racial difference in those assessments did not result from racial bias on the part of the DDSs. Using readily available data, we were unable to test for such bias. We made this assumption in order to examine hypotheses bearing on the possibility that blacks are applying with less severe impairments.

We carried out our analyses between March and October 1991, in accordance with generally accepted government audit standards.

⁸Some of these factors, such as age, level of education, and impairment type, enter directly into the disability decision (see app. I). Sex, region, and percent urban population, although not directly considered in the disability decision, may influence the decision through their relation to other factors. For example, initial allowance rates vary widely across states. SSA has concluded that this variation is due, in large part, to state differences in application rates and the severity of applicants' impairments. If much of the racial difference was to be explained by factors that do not directly enter into the disability decision, we might still question the appropriateness of the difference.

⁹At that step, examiners, with input from physicians, screen applicants for severity, denying benefits to those with less severe impairments.

Black Population Receiving Benefits at Equal or Higher Rate Relative to White Population

Notwithstanding the lower allowance rate for blacks who apply for benefits each year, we found that in 1988, within the general population, blacks were receiving benefits at a higher rate than whites as a result of allowances made in that year or earlier. Within the subset of this population that in national surveys reported having a severe impairment, blacks, with one exception, were receiving benefits at a rate comparable with that of whites. The possible exception is blacks aged 18 to 24, who were receiving benefits in 1988 at a lower rate than whites.

To analyze the extent to which the black and white populations were receiving DI and SSI benefits, we calculated the prevalence rate for each race—the number of people, per 1,000 in the population, receiving benefits in 1988 as a result of allowances in 1988 or previous years. To further examine differences between the two races, we also calculated, for each race, the (1) application rate—the number of applicants in 1988 per 1,000 in the population—and (2) incidence rate—the number of allowances in 1988, including appeals of initial denials, per 1,000 in the population. These rates can be contrasted to the allowance rate for 1988—the proportion of applicants who were allowed benefits (see table 2.1).

Table 2.1: 1988 Rate Calculations

Rate	Calculation
Prevalence	(Number of people receiving benefits in 1988 divided by number of people in the population) times 1,000
Application	(Number of applicants in 1988 divided by number of people in the population) times 1,000
Incidence	(Number of applicants allowed benefits in 1988, including appeals of initial denials, divided by number of people in the population) times 1,000
Allowance	Number of applicants allowed benefits in 1988 divided by number of people who applied for benefits in 1988

Even though black applicants have a lower allowance rate than white applicants, within the general population aged 18 to 64, blacks had a higher prevalence rate than whites in 1988. In other words, relative to their number in the population, blacks were receiving benefits at a higher rate than whites. This higher prevalence rate is primarily attributable to the fact that blacks apply for disability benefits at a higher rate, which offsets their lower allowance rate. Blacks may apply for and be receiving benefits at higher rates than whites for a number of reasons. Perhaps the most significant is that blacks in the population may have a higher rate of severe impairment than whites.

Chapter 2
Black Population Receiving Benefits at Equal
or Higher Rate Relative to White Population

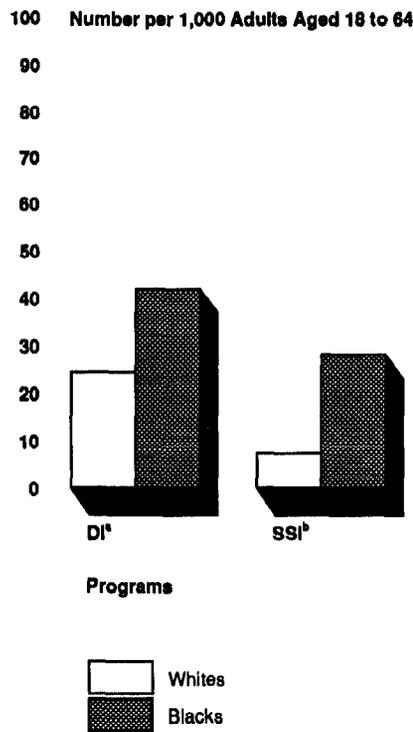
In addition to calculating prevalence, incidence, and application rates for the working-age population, we calculated these rates for the subset of this population that reported having severe impairments in 1988. In calculating rates for the severely impaired population, we compared the number of black and white beneficiaries, applicants, and allowances in 1988 with estimates of the number of each race group who were severely impaired in 1988.

Among all people who reported having severe impairments in 1988, blacks and whites had comparable prevalence rates overall. In other words, relative to their respective number in the severely impaired population, blacks and whites were receiving benefits at about the same rate. A more detailed analysis of rates within subgroups of the severely impaired population, however, suggests that blacks aged 18 to 24 may have been receiving benefits at a lower rate than whites.

Blacks in General Population More Likely Than Whites to Be Receiving Benefits

For both the DI and SSI programs, the prevalence rate for blacks in the general population was higher than for whites (see fig. 2.1).¹ Within the general population insured by Social Security, blacks were receiving DI benefits at 1.7 times the white rate. Within the general population of working-age adults, blacks were receiving SSI benefits at 4.1 times the white rate.

Figure 2.1: Prevalence Rates for DI and SSI Benefits per 1,000 Adults Aged 18 to 64 (1988)



^aThe base is the population of adults aged 18 to 64 who qualified for insured status under Social Security. The program includes those receiving DI benefits and those receiving both DI and SSI benefits.

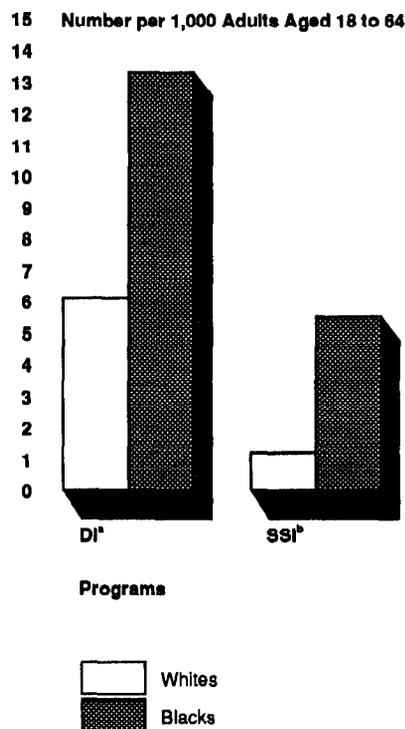
^bIncludes those receiving SSI benefits only.

¹When calculating rates for DI benefits, we used the number of those insured under Social Security as the working-age population. This is because only those with insured status qualify for DI benefits.

Higher Application Rate for Blacks Accounts for Higher Prevalence Rate

A larger proportion of blacks than whites receives DI and SSI benefits because blacks are more likely to apply for benefits. In 1988, blacks applied to the DI program at two times the white rate; they applied to the SSI program at five times the white rate (see fig. 2.2). Under both programs, blacks had higher application rates than whites in all subgroups, broken down by demographic characteristics of age, sex, and level of education (see app. IV, table IV.1).

Figure 2.2: Application Rates for DI and SSI Benefits per 1,000 Adults Aged 18 to 64 (1988)



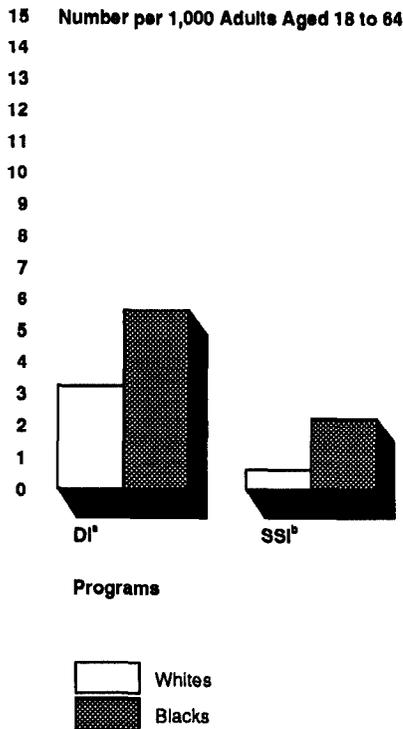
*The base is the population of adults aged 18 to 64 who qualified for insured status under Social Security. The program includes those receiving DI benefits and those receiving both DI and SSI benefits.

^bIncludes those receiving SSI benefits only.

Chapter 2
Black Population Receiving Benefits at Equal
or Higher Rate Relative to White Population

In 1988, blacks also had a higher incidence rate for all subgroups of the general population that we examined (see app. IV, table IV.2). In other words, relative to their respective number in the population, blacks were allowed benefits in 1988 at a higher rate than whites in every subgroup. Overall, under the DI program, blacks had an incidence rate 1.7 times that for whites (see fig. 2.3). Under the SSI program, blacks had an incidence rate just under four times the white rate. These results are consistent with an SSA analysis which found that blacks had higher application and incidence rates than whites in 1989 for both programs.²

Figure 2.3: Incidence Rates for DI and SSI Benefits per 1,000 Adults Aged 18 to 64 (1988)



^aThe base is the population of adults aged 18 to 64 who qualified for insured status under Social Security. The program includes those receiving DI benefits and those receiving both DI and SSI benefits.

^bIncludes those receiving SSI benefits only.

²SSA found that under the DI program, blacks who qualified for DI coverage applied for benefits at more than twice the rate of whites and were allowed benefits at slightly less than twice the white rate. Under the SSI program, blacks in the general population applied at over four times the rate of whites and were awarded benefits at slightly less than four times the rate of whites (see app. IV, table IV.3).

Health and Economic
Factors May Account for
Higher Black
Application Rate

The relative health and economic status of blacks and whites may account for the higher application rate for blacks, as well as their higher relative incidence and prevalence rates. Perhaps most significant, regarding health, a higher proportion of blacks than whites in the general population report being severely impaired.³

National surveys differ in their estimates of the size of the severely impaired population, especially for blacks.⁴ Nevertheless, in all three surveys we examined, blacks reported severe impairments at a higher rate than whites. Across the three surveys, the rate at which blacks reported severe impairments ranged from 1.8 to 2.5 times the rate for whites (see table 2.2).

Table 2.2: Blacks and Whites With Severe Impairments in the General Population

Source	Year	Race		Ratio
		White	Black	Black/White
Current Population Survey (CPS)	1988	4.2	10.3	2.5
National Health Interview Survey (NHIS)	1988	4.0	7.1	1.8
Survey of Income and Program Participation (SIPP)	1984	5.0	9.4	1.9

More objective assessments of the relative health of blacks and whites also suggest that blacks could have a higher rate of severe impairment than whites. Blacks are more prone than whites to diseases, such as circulatory problems, that put them at risk of disability. Blacks are also less likely than whites to receive medical intervention in the early stages of disease. Such intervention can reduce the likelihood of severe disability.

³One study found that about 70 percent of the racial difference in self-reported disability was due to differences in health status; the remaining 30 percent were linked to differences in economic factors.

⁴For a variety of reasons, the various sources differ in their estimates of the size of the severely impaired population. Procedural differences, such as differences in the specific questions asked to determine impairment, may account at least in part for these discrepancies. In addition, because these sources use smaller samples for the black population than they do for the white, the black estimates have wider sampling errors and, as a result, are subject to more variability.

Blacks may also apply for disability benefits at a higher rate because of economic factors. One study found that as the unemployment rate increases, the rate at which people apply for Social Security disability benefits also increases. In 1988, blacks had higher unemployment rates than whites.⁵

A 1984 study of adults aged 45 to 64 also found that the lower the wages a person could expect to earn, the more likely the person was to report work limitations as a result of a health condition.⁶ In 1988, blacks in general had lower wages than whites.⁷

Severely Impaired Blacks and Whites Receive Benefits at Comparable Rates

When we calculated the prevalence rate within the subset of the general population who reported being severely impaired, we found that blacks and whites were receiving DI and SSI benefits at comparable rates. The relatively small racial difference that we found was consistent with how likely the two races would have been to meet the nonmedical program requirements for DI and SSI benefits.

We used estimates of the severely impaired population from two sources in calculating prevalence rates—the CPS and NHIS surveys. We used both estimates in our analysis because the two sources differ in the proportion of blacks reporting severe impairments (see table 2.2).

Under the DI program, for both sets of estimates, blacks had a lower prevalence rate than whites within the severely impaired population (see fig. 2.4). Depending on the source used to estimate the size of the population, blacks were from about 40 percent (based on the CPS estimate) to 15 percent (based on the NHIS estimate) less likely to be receiving DI benefits than whites.

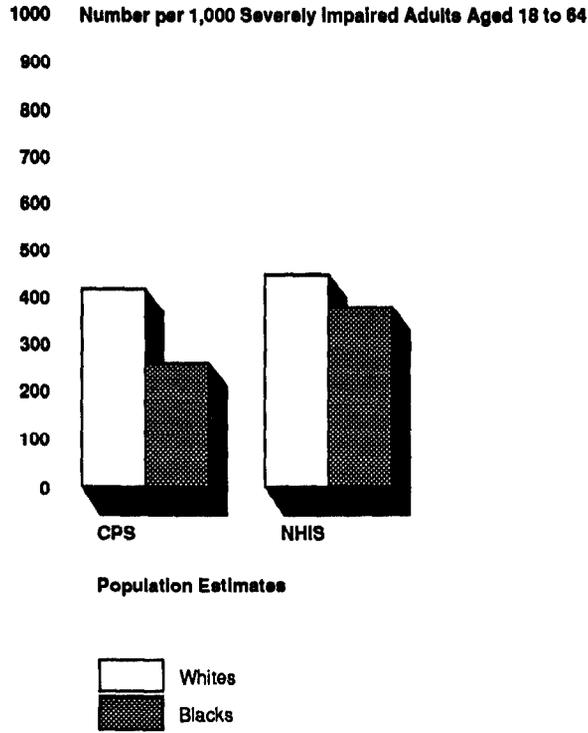
⁵In 1988, the unemployment rate for blacks was 11.7 percent, 2-1/2 times the 4.7 percent unemployment rate for whites.

⁶This relationship was strongest for black men. That is, among black men, the expected wages were associated with self-reports of disability to a greater extent than for any other group.

⁷In the general population aged 16 and older, black men had median hourly earnings of \$6.94, compared with \$8.06 for white men. Black women earned a median hourly wage of \$5.61, compared with \$5.86 for white women.

Chapter 2
Black Population Receiving Benefits at Equal
or Higher Rate Relative to White Population

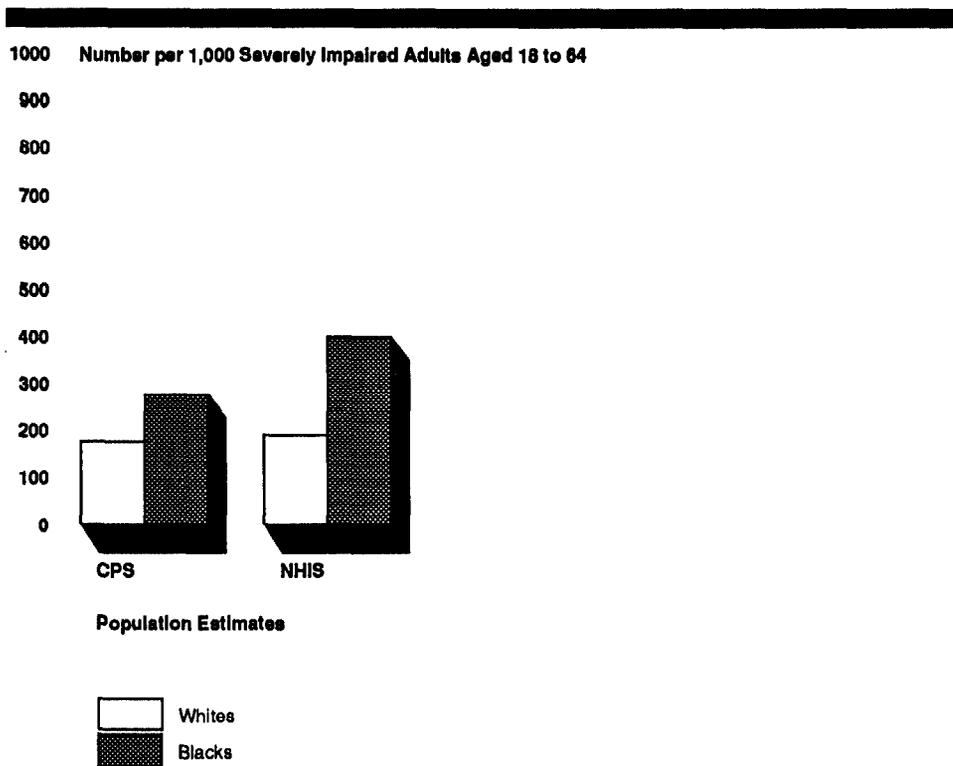
Figure 2.4: Prevalence Rates for DI per
1,000 Severely Impaired Adults
Aged 18 to 64 (1988)



Note: The base for both estimates is the population of adults aged 18 to 64 who qualified for insured status under Social Security and reported being unable to work because of a disability.

Under the SSI program, blacks had a higher prevalence rate than whites within the severely impaired population (see fig. 2.5). Blacks were from about 60 percent (based on the CPS estimate) to 110 percent (based on the NHIS estimate) more likely to be receiving SSI benefits.

Figure 2.5: Prevalence Rates for SSI per 1,000 Severely Impaired Adults Aged 18 to 64 (1988)



Note: The base for both estimates is the population of adults aged 18 to 64 who qualified for insured status under Social Security and reported being unable to work because of a disability.

The racial difference in prevalence rates is consistent with the proportion of each race that would meet the nonmedical program requirements for the DI and SSI programs. A smaller proportion of blacks in the general population are insured under Social Security, an eligibility requirement for DI benefits. In 1988, 87 percent of blacks were insured, compared with 91 percent of whites. On the other hand, information on the income of blacks and whites suggests that a higher proportion of blacks would meet the income and resource requirements for SSI. As discussed in chapter 1, to qualify for SSI benefits, as of 1992, an individual's countable monthly income could not exceed \$422 and the value of real personal property

could not exceed \$2,000. According to the CPS, in 1989, 52 percent of blacks, compared with 27 percent of whites, who reported being unable to work because of a long-term illness or disability had incomes below the poverty level.

Young Blacks Apply for and Are Allowed Benefits at Lower Rate Within Severely Impaired Population

To determine if there was any marked racial difference in rates among subgroups, we examined application and incidence rates within the severely impaired population, broken down by age, sex, and level of education.⁸ Because CPS estimates were readily available, we used them for the severely impaired population in each subgroup.⁹

Under the DI program, the most marked racial difference in application and incidence rates in favor of whites was among the subgroup aged 18 to 24 (see app. IV, tables IV.4 and IV.5). Blacks in this age subgroup were 1.7 times less likely to apply for DI benefits and had an incidence rate of new allowance 3 times lower than for whites. For other subgroups, blacks also had lower application and incidence rates than whites, but rates for the two races were more similar.

Under the SSI program, the subgroup aged 18 to 24 was the only one for which blacks had lower application and incidence rates than whites. Blacks in this subgroup were two times less likely to apply for benefits; the incidence of new allowances for these blacks was about three times lower than that for whites. In every other subgroup, blacks had higher application and incidence rates than whites.

Conclusions

With one exception, we found that blacks were receiving benefits at a comparable or higher rate than whites. Within the general population, blacks were much more likely to be receiving DI and SSI benefits than whites. In the population reporting severe impairment, blacks and whites were receiving benefits at comparable rates and at rates consistent with how likely the two races would have been to meet the nonmedical requirements for the programs. Blacks aged 18 to 24 were the only subgroup, within the severely impaired population, that appeared to be receiving DI and SSI benefits at a lower rate than whites.

⁸We lacked the data needed to estimate the prevalence rates in the subgroups.

⁹To better estimate the population who may have applied for benefits, we limited this analysis to potential program applicants, whom we identified because they had not reported receiving DI or SSI benefits.

Lower Black Allowance Rate at Initial Decision Level Largely Explained by Demographic Characteristics and Impairments

In 1988 initial DDS decisions, black applicants were allowed disability benefits at a lower rate than whites under both the DI and SSI programs. Blacks had a lower allowance rate across all subgroups of applicants we analyzed. A higher proportion of blacks, however, seem to have applied with less severe impairments; this accounts for about half of the overall racial difference.¹ Much of the remaining racial difference can be explained by the fact that black applicants had demographic characteristics and impairments associated with lower allowance rates regardless of race.

Under both the DI and SSI programs, the allowance rate for blacks was lower than for whites across all subgroups when the rates were broken down by the demographic characteristics of age, level of education, sex, geographic location, and percent urban population. The allowance rate for blacks was lower for most impairment types. When applicants were screened for the severity of their impairments, at the second step in the five-step sequential evaluation process, a higher proportion of blacks than whites were denied. Therefore, it appears that blacks applied for DI and SSI benefits with less severe impairments than whites.

Among applicants who passed the screen for nonsevere impairments, under both the DI and SSI programs, about two-thirds of the racial difference in allowance rates was explained by different distributions of black and white applicants across demographic characteristics and impairment types. Young black SSI applicants, compared with whites, however, continued to show a lower allowance rate at the initial level, even after taking into account differences in demographic characteristics and impairment type.

Racial Difference in Allowance Rates Prevalent Across All Subgroups of Demographic Characteristics and Impairment Types

At the initial decision level in 1988, under both the DI and SSI programs, black applicants generally had lower allowance rates than whites for all subgroups, broken down by age, level of education, sex, geographic location, and percent urban population (see table 3.1).² The black allowance rate was also lower than the white rate for most impairment

¹The amount of the racial difference explained by the factors we analyzed is based on the results of logistics regression analysis, which analyzes differences in the odds of allowance rather than differences in allowance rates per se (see app. III). The odds of allowance are derived from the allowance rate; the odds equal the allowance rate, divided by 1 minus the allowance rate. Although the allowance odds and rates are related, the amount of the difference in allowance rates, explained by the factors we analyzed, may deviate from that for the odds of allowance.

²For blacks and whites in the DI program with less than a 9th-grade education, equal allowance rates were found.

**Chapter 3
Lower Black Allowance Rate at Initial
Decision Level Largely Explained by
Demographic Characteristics and
Impairments**

types (see table 3.2). Overall, 29 percent of blacks were allowed both DI and SSI benefits in 1988, compared with 36 percent of whites under DI and 37 percent under SSI.

Table 3.1: Initial DI and SSI Allowance Rates by Demographic Characteristics (1988)

Demographic characteristic	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
All applicants	.36	.29	.07	.37	.29	.08
Age (in years)						
18 to 24	.33	.28	.05	.47	.34	.13
25 to 34	.28	.23	.05	.31	.28	.03
35 to 44	.27	.22	.05	.27	.23	.04
45 to 54	.33	.27	.06	.29	.24	.05
55 to 64	.48	.41	.07	.48	.42	.06
Education (in grade)						
Less than 9th	.34	.34	.00	.35	.34	.01
9th to 11th	.33	.26	.07	.33	.26	.07
12th	.36	.27	.09	.35	.26	.09
More than 12th	.44	.31	.13	.39	.28	.11
Sex						
Female	.34	.27	.07	.36	.29	.07
Male	.38	.30	.08	.38	.29	.09
Region						
Northeast	.47	.37	.10	.44	.36	.08
South	.33	.29	.04	.34	.31	.03
Midwest	.36	.25	.11	.36	.25	.11
West	.36	.27	.09	.37	.27	.10
Percent urban population						
Less than 60%	.35	.32	.03	.35	.35	.00
60% to 75%	.34	.26	.08	.35	.28	.07
More than 75%	.39	.30	.09	.39	.29	.10

The magnitude of the racial difference in initial allowance rates varied somewhat by demographic characteristics and impairment type. For example, the racial difference under both programs was smallest in the South and in less urban areas. For age, under SSI, the racial difference in allowance rates for the youngest age subgroup (18 to 24 years) was over twice the size of any other age subgroup; under DI, racial difference was consistent across age subgroups. In terms of education, under both DI and

Chapter 3
Lower Black Allowance Rate at Initial
Decision Level Largely Explained by
Demographic Characteristics and
Impairments

SSI, the racial difference in allowance rates increased as level of education increased. Although there was almost no racial difference for the least well-educated subgroup (those with a less than 9th-grade education), racial difference increased progressively with education.³

Racial difference in allowance rates varied considerably by applicant impairment type (see table 3.2). Under both DI and SSI, the largest racial difference was for applicants who applied with schizophrenia and “other” mental disorders,⁴ as well as respiratory and neurological/sensory disorders.⁵

Within the categories of “other” mental disorders and respiratory disorders, black applicants tended to have impairments generally associated with lower allowance rates. Specifically, in the “other” mental disorders category, a higher proportion of blacks than whites claimed alcohol and drug dependencies, which showed the lowest allowance rates of all disorders in that category.⁶ In the respiratory category, blacks were more likely to have asthma as their primary impairment, which had a very low allowance rate for both races. In contrast, whites were more likely to have chronic airway obstruction, associated with a high allowance rate regardless of race.

³In SSA’s guidelines, applicants with lower levels of education are considered to be less able to do other work and are more likely to be allowed benefits in the final steps of the disability determination process. This consideration may have equalized black and white allowance rates at the lowest education level.

⁴The “other” mental disorders category comprises mental disorders other than mental retardation and schizophrenia, such as affective psychoses, personality disorders, drug and alcohol dependencies, neuroses, and organic psychoses.

⁵The neurological/sensory disorders category comprises such disorders as epilepsy, hearing loss, blindness or low vision, cerebral palsy, and muscular dystrophy.

⁶Six other specific disorders within the “other” mental disorders category, with a total of 22 black applicants in DI and SSI combined, had no allowances.

**Chapter 3
Lower Black Allowance Rate at Initial
Decision Level Largely Explained by
Demographic Characteristics and
Impairments**

Table 3.2: Initial DI and SSI Allowance Rates by Impairment Type (1988)

Impairment type	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
Cardiovascular disorders:						
Hypertension	.07	.05	.02	.08	.07	.01
Ischemic heart	.44	.40	.04	.45	.42	.03
Other	.54	.53	.01	.48	.49	-.01
Endocrine disorders:						
Diabetes	.14	.08	.06	.10	.07	.03
Other	.28	.26	.02	.28	.28	.00
Mental disorders:						
Mental retardation	.53	.60	-.07	.64	.67	-.03
Schizophrenia	.67	.55	.12	.77	.69	.08
Other	.41	.31	.10	.39	.29	.10
Musculoskeletal disorders:						
Fractures	.13	.08	.05	.13	.10	.03
Osteoarthritis	.27	.22	.05	.24	.21	.03
Other	.13	.10	.03	.13	.11	.02
Neoplasms	.79	.72	.07	.64	.63	.01
Neurological and sensory disorders	.42	.30	.12	.42	.25	.17
Respiratory disorders	.45	.32	.13	.34	.23	.11
Other disorders	.32	.26	.06	.22	.21	.01

Higher Percentage of Blacks Denied for Nonsevere Impairments

Blacks were more likely than whites to be denied benefits at the second step in the sequential evaluation process,⁷ at which point applicants are screened for impairments of relatively low severity. At the third step, where examiners apply strict medical criteria, blacks were also less likely to be allowed benefits.

⁷As outlined in appendix I, DDS disability determinations are made following a five-step sequential evaluation process. In steps two through five of the process, DDS examiners determine if impairments are sufficiently disabling to qualify for benefits. In step two, the examiner determines whether the applicant has an impairment or combination of impairments that is relatively severe in nature and could be expected to last at least 12 months, the duration requirement in the disability definition. In step three, the examiner compares the applicant's impairment(s) with SSA's Listing of Impairments; these impairments are considered severe enough, in and of themselves, to prevent SGA. In step four, the examiner determines whether the physical requirements of the applicant's past job, when combined with the applicant's impairment, prevent the applicant from working. In step five, the examiner considers the applicant's age, education level, and prior work experience to determine what other work, if any, the applicant can perform.

**Chapter 3
Lower Black Allowance Rate at Initial
Decision Level Largely Explained by
Demographic Characteristics and
Impairments**

At step two of the process, a higher proportion of black applicants was judged to have impairments that were nonsevere or not expected to last at least 12 months, the duration requirement in SSA's disability definition (see table 3.3). Under the DI program, 29 percent of blacks, compared with 23 percent of whites, were denied benefits for nonsevere impairments. Under SSI, 26 percent of blacks, compared with 21 percent of whites, were denied benefits for nonsevere impairments.

Blacks were denied benefits at step two more often than whites in most of SSA's 10 regions. The actual percentage of applicants denied at step two, however, varied considerably by region. For example, in the New York region, under DI, only 5 percent of blacks and whites were denied benefits at step two. In contrast, in the Dallas region, 45 percent of blacks and 31 percent of whites were denied benefits at step two.

Table 3.3: Initial Decision Bases for DI and SSI Applicants (1988)

Initial decision basis	Whites		Blacks	
	Allowed	Denied	Allowed	Denied
DI program				
Nonsevere impairments (step two)	a	23	a	29
Meets/equals listing (step three)	27	b	21	b
Vocational factors (steps four and five)	9	37	8	36
Other	c	4	c	6
Total	36	64	29	71

(continued)

**Chapter 3
Lower Black Allowance Rate at Initial
Decision Level Largely Explained by
Demographic Characteristics and
Impairments**

In percent

Initial decision basis	Whites		Blacks	
	Allowed	Denied	Allowed	Denied
SSI program				
Nonsevere impairments (step two)	^a	21	^a	26
Meets/equals listing (step three)	26	^b	21	^b
Vocational factors (steps four and five)	11	36	8	35
Other	^c	7	^c	10
Total	37^d	64^d	29	71

^aApplicants in our study passed step one, the test for employment. At step two, applicants are either denied or they continue on to step three; they cannot be allowed at step two.

^bAt step three, applicants are either allowed or they are considered in further steps; they cannot be denied at step three. To be allowed at this step, applicants must meet or equal SSA's medical listing of impairments.

^c"Other" includes having insufficient evidence and failing to have a consultative examination, for example. All such cases are denied.

^dAllowed and denied add to more than 100 because of rounding.

At step three of the sequential evaluation process, DDS examiners judged a smaller proportion of blacks than whites as having impairments that met or equaled the criteria in SSA's medical listings. Under DI, 21 percent of blacks, compared with 27 percent of whites, were judged to have impairments that met or equaled SSA's strict medical criteria; they were therefore allowed benefits. Under SSI, 21 percent of blacks, compared with 26 percent of whites, were allowed benefits based on the medical criteria. At steps four and five of the process, when vocational factors as well as applicants' work capabilities are considered, blacks fared about the same as whites overall.

In addition to being judged as having nonsevere impairments or capable of working, applicants can be denied benefits at any point in the five-step sequential evaluation process for reasons pertaining to evidence and documentation. Although for each race, a small percentage was denied benefits for reasons concerning inadequate documentation of impairments, blacks were somewhat more likely to be denied for documentation problems than whites. A higher percentage of blacks than whites were denied benefits for either failing to (1) undergo a consultative examination when the examiner considered it essential for a proper determination or (2) submit medical or vocational evidence necessary for a determination.

Racial difference in documentation is consistent with medical literature suggesting that blacks' conditions may be less well-documented than whites. Studies report that blacks have less access than whites to medical care and are less likely to undergo sophisticated testing.

Demographic Characteristics and Impairment Type Explain Racial Difference for Severely Impaired DI Applicants

Under the DI program, after eliminating applicants denied for nonsevere impairments, 45 percent of blacks were allowed benefits compared with 50 percent of whites (see app. IV, table IV.7). Two-thirds of this racial difference in allowance rates is explained by different distributions between black and white applicants across impairment type and demographic subgroups—age, level of education, sex, geographic location, and percent urban population.

Age explains more of the racial difference than other factors we analyzed. Black DI applicants tended to be younger than their white counterparts. Seventy-two percent of black applicants who passed the screen for nonsevere impairments were under the age of 55, compared with 62 percent of whites. The allowance rate for these younger applicants was lower than for older applicants, regardless of race. For black applicants under the age of 55, 39 percent were allowed benefits; for black applicants 55 years of age or older, 58 percent were allowed benefits. For whites, 43 percent of applicants under the age of 55 were allowed benefits, compared with 61 percent of those 55 years of age and older.⁸

Demographic Characteristics and Impairment Type Explain Much of the Racial Difference for Most SSI Applicants

For SSI applicants, after eliminating applicants denied for nonsevere impairments, 46 percent of blacks were allowed benefits, compared with 51 percent of whites (see app. IV, table IV.7). Except for applicants aged 18 to 24, different distributions of black and white applicants across impairment types and subgroups of demographic characteristics explained much of the racial difference in allowance rates. The distributions of applicants across age and impairment type explained more of the racial difference than other factors we analyzed.

A larger proportion of black SSI applicants than whites were between the ages of 25 and 54, an age range associated with low allowance rates, regardless of race. Sixty-seven percent of black applicants who passed the screen for nonsevere impairments were within this age range, compared

⁸This age effect results, at least in part, because SSA's decision-making system, in the last step of the sequential evaluation process, favors older applicants.

with 57 percent of whites. Thirty-nine percent of blacks aged 25 to 54 were allowed benefits, compared with 51 percent for younger black applicants and 62 percent for older ones. For whites, 41 percent of applicants aged 25 to 54 were allowed benefits, compared with 60 percent for younger white applicants and 66 percent for older ones.

In addition, a larger proportion of blacks than whites applied with impairments associated with low allowance rates, regardless of race. For example, 6 percent of blacks, compared with 2 percent of whites, applied with hypertension, which had the lowest allowance rate for both races (see app. IV, table IV.7). Further, a smaller proportion of blacks than whites applied with mental retardation, which had a high allowance rate for both races.

For SSI applicants aged 18 to 24, however, the racial difference was almost twice the size of any other age subgroup; after controlling for demographic characteristics—education, sex, geographic location, percent urban population—and impairment type, this difference remained largely unexplained. Applicants aged 18 to 24 made up a relatively large percentage of SSI applicants: 13 percent of all black SSI applicants and 20 percent of all white applicants were in this age subgroup. As was the case for applicants in general, the racial difference in allowance rates in this age subgroup was particularly large for “other” mental disorders and neurological and sensory disorders.

Conclusions

Our study indicated that for DI applicants, the allowance rate for blacks at the initial decision level was lower than for whites largely because blacks applied with less severe impairments and were younger than their white counterparts. For SSI applicants aged 25 years and over, the racial difference was also largely attributable to differences in impairment severity and type as well as age.

What accounts for the racial difference in initial decisions for young SSI applicants, however, is still an open question. The racial difference for SSI applicants under the age of 25 was relatively large—almost twice the size for any other subgroup. For the most part, we could not explain the racial difference for this age subgroup by controlling for demographic characteristics or impairment severity and type.

One may speculate that these young blacks applied with less severe impairments, which we were unable to detect with our severity measure;

this might explain some or all of the racial difference found for this subgroup. Our analysis of application rates, described in chapter 2, suggests, however, that young black applicants for SSI would be the least likely group to have less severe impairments than whites. Our analyses of 1988 data show that within the general population, blacks in the age subgroup of 18 to 24 years actually applied for SSI benefits at a rate closer to that of whites than any other age subgroup. If differences in severity account for the lower black allowance rate, we would have expected a larger discrepancy between black and white application rates for this subgroup. Because we found the opposite to be the case, the racial difference in allowance rates for these applicants is unlikely to be a function of severity.

Recommendations

We recommend that the Commissioner, Social Security Administration, investigate the reasons for the racial difference in allowance rates among young SSI applicants at the initial decision level and act to correct any unwarranted disparities. Further, in light of the particularly large racial difference in allowance rates associated with schizophrenia, as well as "other" mental, neurological/sensory, and respiratory categories of disorders, we recommend that the Commissioner look into the criteria used in adjudicating such cases and the other circumstances that may explain the racial difference.

Agency Comments

SSA concurred with our recommendations (see app. V). The Commissioner agreed to (1) look into the issue of racial difference in allowance rates among young SSI applicants and (2) review the SSA medical listings to ensure that appropriate consideration is given to impairments occurring more frequently among minorities and that there is no inherent bias in the disability determination process itself.

ALJ Appeals Level Introduces Questionable Racial Difference in Allowance Rates

For the most part, the lower black allowance rate at the ALJ appeals level could not be explained by factors we examined; this resulted in a racial difference only partially explained when the final outcome of decisions was considered cumulatively. Of the 1988 applicants for both DI and SSI who were initially denied benefits, blacks appealing at the reconsideration and ALJ levels had lower allowance rates than whites. Racial difference was again prevalent for appellants at these levels across all subgroups, broken down by demographic characteristics and impairment types.

At the reconsideration level, allowance rates overall were relatively low, and the racial difference in allowance rates was small. The racial difference at the ALJ level, on the other hand, was larger than at any other level, particularly for the DI program. For the most part, this difference was unexplainable by demographic factors, or severity and type of impairment. As a result, considered cumulatively, decisions made at the initial, reconsideration, and ALJ levels, under both the DI and SSI programs, showed lower black allowance rates that we could not explain by the factors we analyzed.

Low Allowance Rates for Both Races at Reconsideration Level

Among applicants who requested that state DDSS reconsider their initial denials, allowance rates were low for both blacks and whites. Just over one-third of applicants who had been denied benefits at the initial level asked that the DDSS reconsider those decisions. Under the DI program, 36 percent of blacks and 40 percent of whites initially denied benefits asked for reconsideration. Under the SSI program, 36 percent of blacks and 37 percent of whites submitted their cases for reconsideration.

Under both programs, at the reconsideration level, allowance rates for blacks and whites were low relative to the initial level. The racial difference was also relatively small. Under the DI program, 11 percent of blacks and 14 percent of whites who asked for reconsideration were allowed benefits. Under the SSI program, 13 percent of blacks and 14 percent of whites were allowed benefits.

Under both programs, racial difference in allowance rates at the reconsideration level was similar to that observed at the initial level across age subgroups and impairment types. Although the magnitude of the difference between black and white allowance rates varied somewhat across subgroups of demographic characteristics and impairment types, the racial difference remained slightly in favor of whites across all subgroups.

At the reconsideration level, unlike our analysis at the initial level, we did not analyze the extent to which the racial difference could be explained by other factors, because racial difference in allowance rates was consistently small across subgroups. Furthermore, because of the small racial difference at the reconsideration level, reconsideration decisions did not have a great effect on the racial difference in the final cumulative outcome of disability decisions.

Racial Difference at ALJ Level Large and Unaccounted for by Factors We Analyzed

For appellants at the ALJ appeals level, the racial difference in allowance rates, under the DI program, was larger than at the other levels and unexplainable, for the most part, by demographic characteristics and impairment severity and type. Under the SSI program, severity of impairment and the other factors we analyzed explained about one-half of the racial difference. Under both programs, the magnitude of the difference in allowance rates varied somewhat across subgroups, but the allowance rates for blacks was lower across most subgroups, broken down by age, level of education, sex, geographic location, percent urban population, impairment type, and basis of initial denial. In addition, the rate of appeal and the degree of attorney representation at hearings appears to have had little bearing on racial difference in allowance rates.

Lower Black Allowance Rate Prevalent Across All Subgroups of Appellants

Under both the DI and SSI programs, ALJs generally allowed blacks benefits at a lower rate than whites. Overall, under DI, ALJs allowed 55 percent of black appellants benefits, compared with 66 percent of whites. Under SSI, ALJs allowed benefits to 51 percent of blacks and 60 percent of whites. The magnitude of the racial difference in ALJ allowance rates varied by appellant's age and level of education, as well as by impairment type and SSA region.

Under both the DI and SSI programs, the largest racial difference was for the younger age subgroups and among those appellants with higher levels of education (see table 4.1). The racial difference was largest among appellants under the age of 35, with the difference ranging from 12 to 16 percentage points in favor of whites. The subgroup of DI appellants aged 35 to 44 years also showed a racial difference of 14 percentage points in ALJ allowance rates.

Chapter 4
ALJ Appeals Level Introduces Questionable
Racial Difference in Allowance Rates

Table 4.1: DI and SSI Allowance Rates for ALJ Decisions by Demographic Characteristics (1988 Cases)

Demographic characteristic	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
All applicants	.66	.55	.11	.60	.51	.09
Age (in years)						
18 to 24	.57	.45	.12	.56	.42	.14
25 to 34	.60	.44	.16	.55	.41	.14
35 to 44	.61	.47	.14	.55	.46	.09
45 to 54	.66	.59	.07	.62	.53	.09
55 to 64	.75	.69	.06	.72	.67	.05
Education (in grade)						
Less than 9th	.67	.63	.04	.63	.58	.05
9 to 11th	.65	.54	.11	.57	.49	.08
12th	.66	.52	.14	.60	.47	.13
More than 12th	.68	.51	.17	.64	.45	.19
Sex						
Female	.68	.58	.10	.63	.54	.09
Male	.65	.54	.11	.57	.46	.11
Region						
Northeast	.70	.56	.14	.62	.47	.15
South	.68	.58	.10	.63	.57	.06
Midwest	.63	.48	.15	.54	.43	.11
West	.65	.55	.10	.62	.54	.08
Percent urban population						
Less than 60%	.67	.59	.08	.61	.53	.08
60% to 75%	.66	.55	.11	.61	.54	.07
More than 75%	.66	.54	.12	.59	.48	.11
Initial denial basis^a						
Nonsevere impairments (step two)	.62	.51	.11	.57	.47	.10
Vocational factors (steps four and five)	.69	.59	.10	.63	.55	.08
Other	.56	.44	.12	.50	.40	.10

^aApplicants can be denied at the initial decision level at steps two, four, and five in the sequential evaluation process or for other reasons pertaining to evidence and documentation.

Racial difference increased consistently as appellants' level of education increased. Under both programs, the largest racial difference was found at the highest level of education (greater than 12th grade); under the DI program, the black allowance rate in this subgroup was 17 percentage points lower than the white rates and under the SSI program, 19 percentage points lower.

Chapter 4
ALJ Appeals Level Introduces Questionable
Racial Difference in Allowance Rates

For impairment type, the ALJ allowance rate for blacks was lower across all impairments except schizophrenia, for which blacks and whites had equal allowance rates under the DI program (see table 4.2). Otherwise, under DI, the racial difference ranged from 5 percentage points (respiratory disorders) to 16 percentage points (fractures). Under SSI, the racial difference ranged from 5 percentage points (osteoarthritis) to 14 percentage points (schizophrenia). Consistent with the initial level, under both the DI and SSI programs, a relatively large racial difference at the ALJ level was found for “other” mental and neurological/sensory disorders. Respiratory disorders showed a smaller racial difference at the appeals level than at the initial level.

Table 4.2: DI and SSI Allowance Rates for ALJ Decisions by Impairment Type (1988 Cases)

Impairment type	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
Cardiovascular disorders:						
Hypertension	.62	.53	.09	.63	.52	.11
Ischemic heart	.74	.65	.09	.67	.61	.06
Other	.74	.67	.07	.63	.57	.06
Endocrine disorders:						
Diabetes	.68	.59	.09	.64	.56	.08
Other	.64	.52	.12	.56	.49	.07
Mental disorders:						
Mental retardation	.57	.48	.09	.63	.56	.07
Schizophrenia	.70	.70	.00	.81	.67	.14
Other	.67	.55	.12	.65	.54	.11
Musculoskeletal disorders:						
Fractures	.60	.44	.16	.50	.41	.09
Osteoarthritis	.65	.58	.07	.60	.55	.05
Other	.66	.55	.11	.57	.48	.09
Neoplasms	.76	.70	.06	.72	.63	.09
Neurological and sensory disorders	.65	.53	.12	.58	.47	.11
Respiratory disorders	.66	.61	.05	.59	.50	.09
Other disorders	.62	.50	.12	.55	.44	.11

Chapter 4
ALJ Appeals Level Introduces Questionable
Racial Difference in Allowance Rates

In addition, the magnitude of racial difference in ALJ allowance rates varied considerably by SSA region (see table 4.3).¹ Under the DI program, blacks had a lower ALJ allowance rate in all regions. Under the SSI program, blacks had a lower ALJ allowance rate in all regions except Denver and Philadelphia. Because the Denver region had few black appellants (53 under the SSI program), the higher black allowance rate in that region may be relatively unreliable. In the Philadelphia region, the racial difference in favor of blacks may be more significant: a total of 1,056 blacks appealed under the SSI program.

In all other regions, the ALJ allowance rates were lower for blacks than whites. Under the DI program, the racial difference was largest in the Chicago region: in that region, the ALJ allowance rate for blacks was 17 percentage points below the white rate. Under SSI, the largest difference in favor of whites was found in the New York region, with a 15 percentage point difference. For the DI program, we found the smallest racial difference in the Denver region; for the SSI program, in the Philadelphia region.

Table 4.3: Regional Variation in ALJ Allowance Rates (1988 Cases)

SSA region	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
Boston	.68	.54	.14	.63	.51	.12
New York	.71	.56	.15	.62	.47	.15
Philadelphia	.71	.65	.06	.64	.67	-.03
Atlanta	.69	.60	.09	.62	.57	.05
Chicago	.63	.46	.17	.53	.43	.10
Dallas	.65	.53	.12	.62	.50	.12
Kansas City	.65	.60	.05	.56	.50	.06
Denver	.67	.66	.01	.63	.68	-.05
San Francisco	.66	.54	.12	.60	.53	.07
Seattle	.63	.51	.12	.67	.61	.06

¹There were no notable differences across regions in the distribution of applicants by age, level of education, sex, or impairment type.

**Racial Difference Largely
Unexplained by
Demographic Characteristics
and Impairments**

At the ALJ level, unlike the initial level, the factors we analyzed could not explain most of the racial difference in allowance rates. A small amount of the observed racial difference in ALJ allowance rates was due to the fact that proportionally more black appellants had initially been judged to have nonsevere impairments. Under both the DI and SSI programs, however, after eliminating appellants initially denied for nonsevere impairments, demographic characteristics and impairment type did not explain most of the racial difference in allowance rates.

A higher percentage of blacks appealing to ALJs under both the DI and SSI programs had been initially denied benefits for nonsevere impairments; proportionally more whites had been denied on the basis of vocational factors (see app. IV, table IV.8). For both races and programs, as might be expected, ALJ allowance rates were lower for appellants who were initially denied at step two—for nonsevere impairments—rather than at steps four and five—on the basis of vocational factors (see table 4.1).

Under the DI program, after eliminating cases initially denied for nonsevere impairments, over three-fourths of the racial difference between black and white ALJ allowance rates remained unexplained by demographic characteristics and impairment type. Age was the only demographic characteristic that explained any of the racial difference under DI, accounting for less than one-fourth of the difference in ALJ allowance rates. Black DI appellants were younger than whites: 80 percent of blacks were under 55 years old, compared with 73 percent of whites. Appellants under the age of 55 had lower ALJ allowance rates than those over 55, regardless of race.

Under the SSI program, after eliminating cases initially judged to be nonsevere, differences in appellants' demographic characteristics—age, level of education, sex, geographic location, and percent urban population—and impairment type explained less than half of the difference between black and white ALJ allowance rates. The portion that was explained appeared to be a function of appellants' education level, region, and percent urban population, rather than appellants' age and impairment type, as at the initial level.

Appeal Rate and Attorney Representation Explain Little of Racial Difference

The lower black ALJ allowance rate also does not appear to be related to racial difference in appeal rates or attorney representation at hearings. Using the hypothesis that higher application rates at the initial level result in more nonsevere claims and lower allowance rates, we might have expected that higher rates of appeal would be associated with lower allowance rates at the ALJ level. Blacks who were initially denied benefits, however, appealed their initial decisions at a slightly lower rate than whites. Under the DI program, 28 percent of black applicants denied benefits at lower levels appealed to the ALJ level, compared with 32 percent of whites. Under SSI, comparatively fewer applicants appealed to the ALJ level—24 percent of blacks and 26 percent of whites.

The rate of attorney representation at ALJ hearings also explained little of the racial difference in ALJ allowance rates. Although appellants with attorneys had higher allowance rates than those without and a lower proportion of blacks than whites were represented by attorneys, the black allowance rate remained lower regardless of representation.

Under the DI and SSI programs combined, attorneys represented 58 percent of blacks, compared with 68 percent of whites. For appellants with attorney representation, ALJs allowed benefits to 64 percent of blacks, compared with 73 percent of whites. For those without representation, ALJs allowed benefits to 50 percent of blacks and 62 percent of whites. This racial difference might reflect the benefits of attorney representation or that attorneys represent appellants who are more likely to be allowed benefits. Assuming that the racial difference reflects the benefits of attorney representation, the lower rate of attorney representation among blacks explains a small portion of the overall racial difference in ALJ allowance rates.

Final Outcome Shows Lower Black Allowance Rate Partially Explained by Factors We Analyzed

As a result of decisions at the reconsideration and ALJ levels, the racial difference in the cumulative allowance rate was somewhat larger than at the initial level (see figs. 4.1 and 4.2 and app. IV, table IV.10). Cumulatively, under DI, 42 percent of blacks were allowed benefits, compared with 53 percent of whites. Under SSI, the racial difference was slightly smaller: 41 percent of blacks were allowed benefits compared with 50 percent of whites.

Figure 4.1: Racial Difference in Cumulative Allowance Rates Larger Than at Initial Level for DI Program (1988)

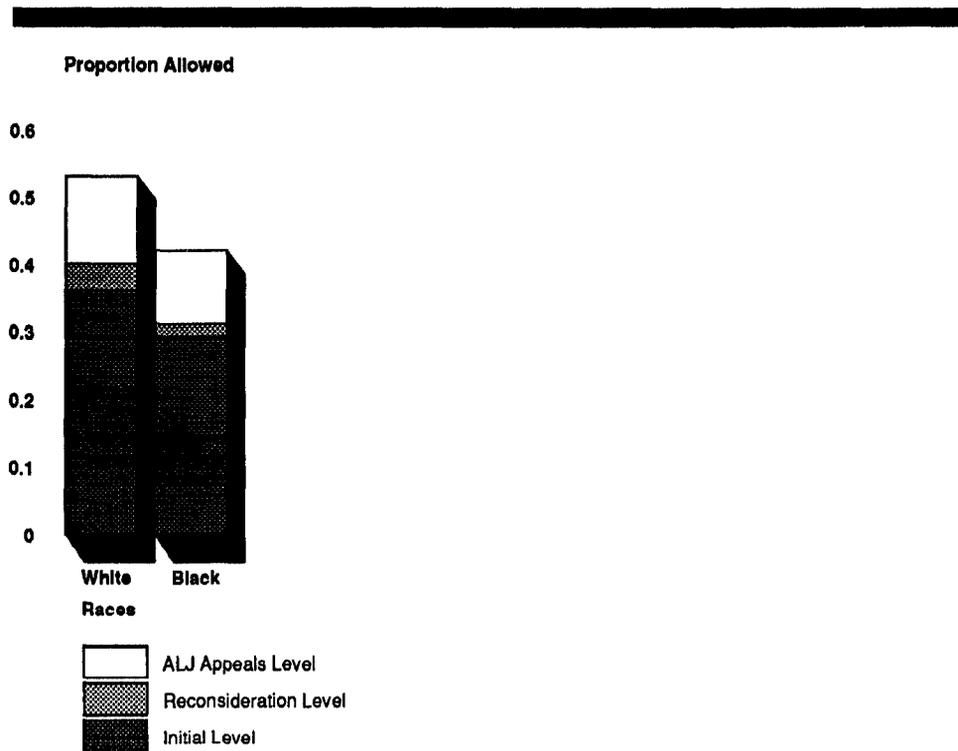
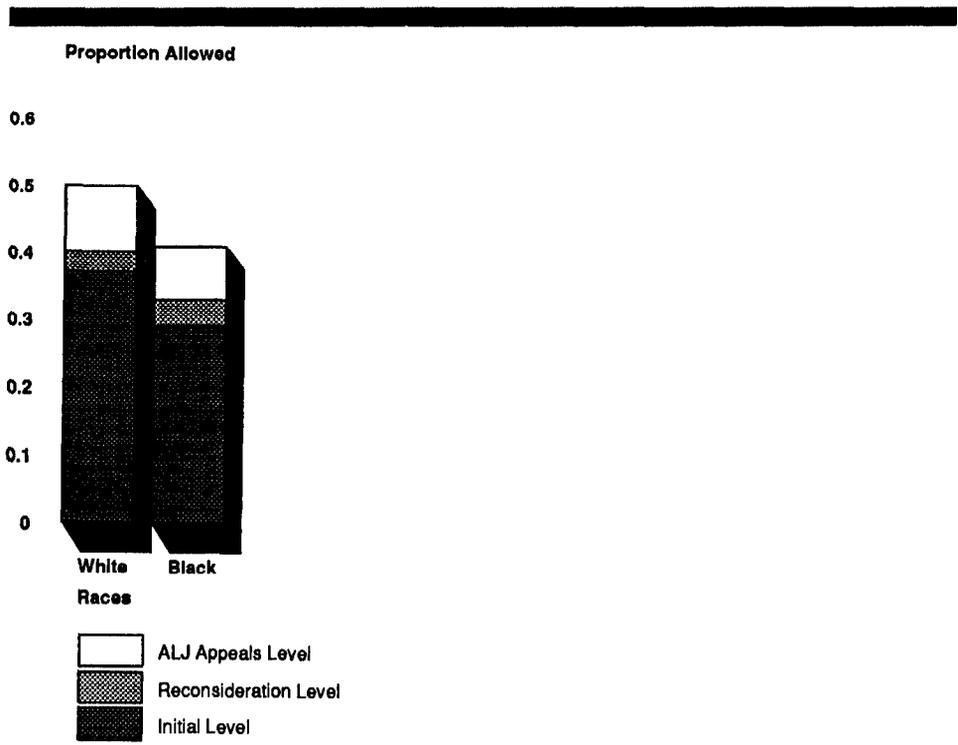


Figure 4.2: Racial Difference in Cumulative Allowance Rates Larger Than at Initial Level for SSI Program (1988)



About one-half of the racial difference in the cumulative allowance rates was related to applicants' demographic characteristics and impairment severity and type. Cumulatively, under both programs, eliminating the cases judged to be nonsevere reduced the racial difference somewhat across certain demographic characteristics—age, level of education, and sex—and across most impairment types (see app. IV, table IV.11). Among applicants judged to have relatively more severe impairments, differences in demographic characteristics and impairment type explained a small proportion of the remaining racial difference.

Conclusions

At the ALJ level, the largely unexplained racial difference in allowance rates calls into question the equity of treatment between black and white appellants under the DI and SSI programs. Over two-thirds of the racial difference in ALJ allowance rates among DI applicants and about half of the difference among SSI applicants was unexplained by differences in demographic characteristics or impairment severity and type.

The unexplained component of the racial difference in cumulative allowance rates appears to be attributable to appeals decisions. As reported in chapter 3, most of the racial difference in allowance rates at the initial level is attributable to differences in age and impairment severity and type.

Recommendation

In order that the integrity of the DI and SSI programs be maintained, since even the appearance of discrimination is intolerable, we recommend that the Commissioner further investigate the racial difference in allowance rates at the ALJ level and, if needed, take appropriate actions to correct and prevent any unwarranted disparities.

Agency Comments

SSA concurred with our recommendations (see app. V). The Commissioner agreed to take the following actions in investigating the racial difference in allowance rates at the ALJ level: (1) conduct a review of those regions identified as having significant racial difference in allowance rates in order to determine the cause of such difference; (2) examine the decisions of ALJs to determine if a pattern of disparity exists and, if so, why; and (3) explore the use of an overall quality assurance program and management information system for OHA in order to ensure fairness in decision-making.

In its comments on this report, SSA expressed concern about one aspect of our methodology. SSA claimed that in using DDS initial decisions to control for severity in our analysis of ALJ decisions, we did not provide a thorough analysis of critical medical data that could affect the relationship between race and the rate at which disability benefits are allowed. Although we agree that an independent or more sensitive measure of severity, obtained through case file review, for example, could have enhanced our analysis, we disagree that our findings are invalid because we used the DDS severity measure to eliminate nonsevere claims at the ALJ level. The DDS severity measure itself is based on a thorough review of medical evidence contained in the case files. At the initial level, that severity measure alone accounted for almost one-half of the racial difference in allowance rates.

Moreover, the use of an independent or more sensitive measure of severity would not have materially altered our conclusions or recommendations. We continue to believe that our inability to explain the racial difference in ALJ allowance rates using the DDS severity measure and other factors we analyzed indicates a need for the more in-depth review that SSA has agreed to undertake.

Five-Step Sequential Evaluation Process

All applications for DI and SSI benefits proceed through a five-step evaluation, referred to as the sequential evaluation process (see fig. 1.1). Applications continue through the five steps until a determination of disability or no disability is reached.

In the first step, SSA field office personnel determine if applicants are currently engaged in substantial gainful activity (SGA).¹ If the applicants' work meets the definition of SGA, they are not considered disabled, regardless of medical condition, and are denied benefits.

If an applicant is found not to be engaged in SGA, the SSA field office forwards the application to a state DDS for processing through the remaining four steps of the sequential evaluation process. In step two, a DDS examiner determines whether the applicant has an impairment or combination of impairments that is severe in nature and could be expected to last at least 12 months, the duration requirement in the disability definition.

The examiner works with a physician to collect all necessary medical evidence, either from those who have treated the applicant or, if that information is insufficient, from an examination conducted by an independent source. Once all medical evidence has been obtained, if the record shows that the applicant's impairment does not meet the standard for a severe impairment, the examiner denies benefits.

If the applicant is not denied at step two, the DDS examiner proceeds in step three to determine if the applicant's impairment corresponds to a medical condition on SSA's Listing of Impairments.² The examiner allows benefits if an impairment corresponds to a condition on the listing or if the impairment is similar enough to be medically equivalent. If the applicant's condition does not correspond to an impairment on the listing, the evaluation proceeds to step four.

Steps four and five—the final two steps of the sequential evaluation process—are designed to determine whether an applicant has vocational limitations that, when combined with the medical impairment(s), prevent the applicant from working. In step four, the examiner uses a physician's assessment of the applicant's residual functional capacity (RFC) to

¹Regulations currently define SGA as monthly earnings of more than \$500.

²The listings contain strict medical criteria that identify impairments considered severe enough, in and of themselves, to prevent SGA.

determine whether the type of work the applicant did in the past could still be performed. For physical impairments, an RFC is generally expressed in degrees of exertion (for example, whether the person is capable of performing light or medium work); for mental impairments, an RFC is generally expressed in psychological terms (for example, whether the person is capable of following instructions or handling stress). If the examiner finds that the applicant can perform work done in the past, the examiner denies benefits.

In the fifth and last step, the examiner, along with a physician, determines if applicants who cannot perform work done in the past can do other work that exists in sufficient amounts in the national economy.³ Using SSA guidelines, the examiner/physician team considers the applicant's age, education level, vocational skills, and RFC to determine what other work, if any, the applicant can perform. Unless the DDS examiner concludes that the applicant can perform work that exists in the national economy, the examiner will allow benefits.

At any point in the sequential evaluation process, an examiner can deny benefits for reasons relating to insufficient documentation or to lack of cooperation by the applicant. These reasons include an applicant's failure to (1) provide medical or vocational evidence deemed necessary for a determination by the examiner, (2) submit to a consultative examination that the examiner believes is necessary to provide evidence, or (3) follow a prescribed treatment for an impairment. Benefits will also be denied if the applicant asks the DDS to discontinue processing the case.

³By definition, work in the national economy must be available in significant amount in the region where the applicant lives or in several regions of the country. It is inconsequential whether or not (1) such work exists in the applicant's immediate area, (2) job vacancies exist, or (3) the applicant would actually be hired.

SSA Studies of Factors Underlying Racial Difference in Allowance Rates

This appendix summarizes SSA studies on racial difference in initial disability decisions. The studies show that differences in age and the severity of applicants' impairments explain, at least in part, the lower allowance rate for blacks. Little information is available on two additional considerations: the adequacy of medical documentation and the potential for system or personal biases. Available information suggests, however, that the lower allowance rate for blacks does not result from these factors.

Blacks Have Demographic Characteristics Associated With Lower Allowance Rates

SSA studies of initial disability decisions made in the 1970s suggest that demographic characteristics explain part, but not all, of the racial difference in allowance rates. Allowance rates vary by applicant characteristics such as age and level of education. For example, SSA requires older applicants to satisfy less stringent requirements in order to receive disability benefits. As a result, a higher proportion of older than younger applicants are allowed benefits.

In an SSA study of initial disability decisions made in 1971, age differences between black and white applicants explained at least part of the difference in allowance rates.¹ Compared with white applicants, blacks were younger, and younger applicants had lower allowance rates regardless of race. Across both races, 38 percent of applicants under 55 were allowed benefits compared with 59 percent of those over 55. Sixty-three percent of blacks, compared with 52 percent of whites, were under 55 years old.

A later SSA study of 1975 initial disability decisions clarified that demographic characteristics, along with some health factors, could not explain all the racial difference in allowance rates.² In that study, the racial difference remained statistically significant after taking into account differences in age, sex, education, occupation, geographic location, impairment type, and level of mobility.

¹M.E. Lando, "Demographic Characteristics of Disability Applicants: Relationship to Allowances," *Social Security Bulletin* (May 1976), pp. 15-23.

²J.M. Levy, "Demographic Factors in the Disability Determination Process: A Logistic Approach," *Social Security Bulletin* (Mar. 1980), pp. 11-16.

Blacks May Be Applying With Less Severe Disabilities

The findings of a recent SSA analysis of initial disability decisions in 1988 and 1989 support the hypothesis that blacks have a lower allowance rate than whites because they are applying with less severe disabilities. In samples of 1988 and 1989 decisions, federal physicians rated a higher proportion of blacks than whites as having (1) no disability, (2) a disability of low severity, or (3) an impairment that would last less than 12 months.³ When applicants rated by the physicians as having less severe impairments were excluded, blacks actually had a slightly higher allowance rate than whites in 1988 and 1989.

In its analysis, SSA also tested a second hypothesis: if blacks were applying with less severe impairments, the rate at which they applied for benefits would be higher than that for whites. This hypothesis is based on the assumption that the higher the application rate, the more likely it is people are applying with less severe impairments. In SSA's study of initial DI decisions in 1971, as well as its study of 1988 and 1989 decisions, SSA found that relative to the adult population aged 19 to 64, blacks applied for benefits at a higher rate than whites.

The higher application rate among blacks, however, could also be because the black population has a higher rate of disability, compared with the white population. National surveys have consistently found that a higher proportion of blacks than whites report severe impairments. The three surveys we examined indicate that the rate of severe disabilities reported by blacks is from 1.8 to 2.5 times the white rate (see chap. 2).⁴

Blacks' Impairments May Be Less Well Documented or Bias May Exist

Differences in how well impairments are documented may also contribute to the racial difference in allowance rates. Specifically, blacks could have lower allowance rates than whites because the documentation describing blacks' impairments, such as medical records, may be less complete or less adequate than whites'. In addition, blacks may have a lower allowance rate than whites because of bias either on the part of deciding officials or in the criteria used in determining disability.

³These physicians rate the severity of the disability as part of SSA's quality assurance review of initial DDS decisions.

⁴Among possible factors that could account for the racial difference in health are less access to quality medical care and early medical intervention for chronic diseases, as well as life-style and physiological differences.

Appendix II
SSA Studies of Factors Underlying Racial
Difference in Allowance Rates

There has been no direct test for racial difference in documentation between blacks and whites or for bias in the disability determination process. Some relevant information, however, is available. The literature on physician care for blacks as compared with that for whites suggests that, in general, the health of blacks may be less documented than that of whites. Generally, blacks have less access than whites to medical care and are less likely to undergo sophisticated medical testing.

If racial difference in documentation or in examiner bias was leading to the lower allowance rate among blacks, we might expect that SSA's quality assurance reviewers would find more errors in initial decisions when the applicant was black. SSA defines an error as (1) a deficiency in either medical or vocational information that results in insufficient support for the disability decision or (2) the presence of documentation that supports the opposite decision from that of the DDS. In its analysis of 1988 and 1989 initial decisions, for both types of errors combined, SSA did not find a racial difference. For both black and white cases reviewed, approximately 3 percent of allowances and 7 percent of denials showed evidence of errors.

Detailed Methodology

This appendix provides additional details concerning our methodology, discussed in chapter 1. Information is included about (1) data bases used in our analyses and other sources of information, (2) criteria and sampling errors for CPS and NHIS population estimates, and (3) statistical analyses.

Data Bases and Information Sources

We used SSA data bases and published statistics to obtain information on applicants and their initial, reconsideration, and ALJ decisions (see table III.1). Our primary source of information on applicant characteristics and DDS initial and reconsideration decisions was SSA's 831 file, which consists of data input from forms that record DDS decisions. To obtain information on ALJ appeals, we matched records from the 831 file, for applicants initially denied benefits, with the OHA case control system, which contains information on filings and appeals at the ALJ level.

Table III.1: Social Security Administration Data Sources

Information	Data base or publication
DI and SSI disability decisions at initial and reconsideration levels; applicant characteristics	831 file
DI applicants' race, sex, and date of birth	Master Beneficiary Record (MBR)
SSI applicants' race, sex, and date of birth	SSI Record Description (SSIRD)
ALJ decisions and appellate representation	OHA case control system
Number of DI and SSI beneficiaries	1989 Annual Statistical Supplement

Population Estimates

SSA provided data on the number of blacks and whites insured under Social Security. We obtained estimates of the general population of adults aged 18 to 64 from the March 1988 Current Population Survey (CPS).

To estimate the severely impaired population, we obtained population estimates of the severely disabled population from the March 1988 CPS and the 1988 National Health Interview Survey (NHIS). Both surveys rely on self reports or those of family members to identify people with disabilities. The two surveys vary in terms of how they define a severe disability. The CPS classifies as severely disabled anyone who falls into at least one of the following categories:

- did not work during survey week because of a long-term physical or mental illness or disability, which prevents the performance of any kind of work;
- did not work at all in previous year because of illness or disability;

- under 65 years of age and covered by Medicare, which is received by people with DI benefits; and
- under 65 years of age and a recipient of SSI benefits.

The NHIS severely disabled group includes anyone who reported being unable to work or keep house because of a chronic health condition that had lasted at least 3 months.

Since the CPS and NHIS use samples rather than the universe of cases in each population, the reported estimates have sampling errors associated with them. A sampling error is variation that occurs by chance because a sample was surveyed rather than the entire population. The size of the sampling error reflects the precision of the estimate—the smaller the sampling error, the more precise the estimate.

Sampling errors for CPS and NHIS estimates of the severely impaired population were calculated at the 95 percent confidence level, on the basis of formulas provided in the survey reports. This means that the chances are about 95 out of 100 that the actual percentage being estimated falls within the range defined by the estimate, plus or minus the sampling error. For CPS estimates of the severely disabled population, the sampling error was .7 percent for the black population and .2 percent for the white population. For the NHIS estimates, the sampling error was 1.4 percent for the black population and .4 percent for the white population. This means, for example, that for the CPS estimate that 10.3 percent of adult blacks are severely disabled, there is a 95 percent chance that the actual percentage falls between 9.6 percent and 11.0 percent.

As reported in chapter 2, the CPS and NHIS estimates of the severely disabled black population differ. The CPS estimates that 10.3 percent of blacks aged 18 to 64 were severely disabled in 1988, compared with 7.1 percent according to the NHIS estimate. Procedural differences, such as differences in the specific questions asked to determine disability, may account, at least in part, for this discrepancy. In addition, because these sources use smaller samples in estimating the size of the black population than the white population, black estimates have wider sampling errors and as a result, are subject to more variability due to chance differences across samples.

Statistical Analyses

We used logistic regression, a multivariate analysis technique, to assess whether differences between black and white allowance rates could be statistically attributed to the factors we analyzed.

It should be noted that there was no independent measure for controlling for severity of impairment in our analysis since DDSS make the severity determinations. However, some of the effects of severity are indirectly accounted for in our models that include impairment type, a factor that is associated with severity. Furthermore, in addition to conducting analyses based on all applicants, we conducted analyses based on only those cases classified as severely impaired by the DDSS. This enabled us to examine whether racial difference persisted after excluding cases that the DDSS considered to be nonsevere.

Results of the logistic regression models are presented in table III.2. These results are expressed in terms of odds ratios, which are summary measures obtained from the logistic regression models. In general, odds ratios that are near 1.00 indicate that there is little racial difference in allowance rates (controlling for other variables in the model). Odds ratios that substantially exceed 1.00 indicate that whites were allowed at a higher rate than blacks; those that are substantially less than 1.00 indicate that blacks were allowed at a higher rate than whites. The more the odds ratio deviates from 1.00, the greater the difference between the races.

For each program and decision level, our general approach was to compare odds ratios. We used a model with race as the only factor and compared it with models that controlled for the effects of other factors. This enabled us to assess the extent to which other factors explained the overall racial difference. For example, the odds ratio was 1.44 (row 1 of table III.2), using the race only model for initial decisions on all DI applicants. This ratio reduces to 1.28 when controlling for age and impairment (model 2) and is further reduced to 1.19 when controlling for the other factors (model 3). Because 1.19 is about halfway between 1.44 and 1.00, we can conclude that the factors in model 3 explain about half of the overall racial difference between allowance rates.

Table III.2: Results of Logistic Regression Analysis

Decision level	Model 1: race	Model 2: race, age, and impairment	Model 3: race, age, impairment, education, region, and percent urban population
DI program			
Initial level:			
All applicants	1.44	1.28	1.19
Passed screen for nonsevere	1.24	1.15	1.09
ALJ appeals level: ^a			
All applicants	1.66	1.59	1.55
Passed screen for nonsevere	1.57	1.50	1.48
Cumulative result:			
All applicants	1.55	1.42	1.38
Passed screen for nonsevere	1.38	1.31	1.28
SSI program			
Initial level: ^b			
All applicants	1.39	1.20	1.15
Passed screen for nonsevere	1.22	1.11	1.08
ALJ appeals level: ^a			
All applicants	1.41	1.39	1.26
Passed screen for nonsevere	1.32	1.31	1.19
Cumulative result:			
All applicants	1.41	1.27	1.23
Passed screen for nonsevere	1.28	1.21	1.18

Note: Because of the large number of cases in the models, all odds ratios are significantly different from 1.00 at the 95-percent confidence level.

^aExcludes cases dismissed by ALJs.

^bFor SSI applicants aged 18 to 24, the odds ratios were (1) for model 1: all applicants, 1.70; passed screen for nonsevere, 1.43, and (2) for model 3: passed screen for nonsevere, 1.34.

Supplementary Tables

Table IV.1: Application Rates for the General Population Aged 18 to 64 (1988)

Demographic characteristic	DI program ^a		SSI program ^b	
	Whites	Blacks	Whites	Blacks
Total population	6.1	13.3	1.4	6.6
Age (in years)				
18 to 24	1.8	3.7	1.5	3.8
25 to 34	3.1	7.5	0.8	4.8
35 to 44	4.9	13.4	1.2	7.6
45 to 54	9.6	24.8	1.9	10.8
55 to 64	17.9	39.6	1.9	10.0
Education (in grade)				
Less than 9th	c	c	5.1	14.2
9 to 11th	c	c	3.1	10.9
12th	c	c	0.9	4.0
More than 12th	c	c	0.2	1.3
Sex				
Female	5.1	11.5	1.6	6.7
Male	6.8	15.0	1.2	6.5

^aBase is the population insured for Social Security benefits.

^bBase is the general population, excluding institutionalized people whom the CPS does not count.

^cThe insured population at each education level was not available.

Appendix IV
Supplementary Tables

Table IV.2: Incidence Rates for the General Population Aged 18 to 64 (1988)

Demographic characteristic	Per 1,000			
	DI program ^a		SSI program ^b	
	Whites	Blacks	Whites	Blacks
Total population	3.2	5.6	0.7	2.7
Age (In years)				
18 to 24	0.7	1.2	0.8	1.5
25 to 34	1.2	2.4	0.4	1.7
35 to 44	2.2	4.7	0.5	2.7
45 to 54	5.2	11.3	0.9	4.4
55 to 64	11.3	21.4	1.2	5.5
Education (In grade)				
Less than 9th	c	c	2.6	6.8
9 to 11th	c	c	1.4	4.1
12th	c	c	0.4	1.5
More than 12th	c	c	0.1	0.5
Sex				
Female	2.5	4.7	0.8	2.8
Male	3.7	6.3	0.6	2.6

^aBase is the population insured for Social Security benefits.

^bBase is the general population, excluding institutionalized people whom the CPS does not count.

^cThe insured population at each education level was not available.

Table IV.3: SSA Data on Application and Incidence Rates for the General and Insured Populations (1989)

Rate	Per 1,000			
	DI program ^a		SSI program ^b	
	Whites	Blacks	Whites	Blacks
Application	9.0	20.2	2.4	10.2
Incidence	3.4	6.2	0.9	3.2

Note: Application and incidence rates were calculated based on state operations reports, maintained by the Office of Disability. The black and white rates were calculated by projecting the racial breakdown in SSA's quality assurance sample onto the total numbers obtained from the state operations reports.

^aBase is the population insured for Social Security benefits.

^bBase is the general population aged 19 to 64.

**Appendix IV
Supplementary Tables**

**Table IV.4: Application Rates for
Severely Impaired Population Aged 18 to
64 (1988)**

Demographic characteristic	Per 1,000			
	DI program		SSI program	
	Whites	Blacks	Whites	Blacks
Total severely impaired population	296.7	211.7	81.0	135.5
Age (In years)				
18 to 24	316.3	124.7	336.5	198.0
25 to 34	310.5	253.7	94.7	187.0
35 to 44	308.9	277.1	84.5	174.6
45 to 54	337.9	234.4	80.7	129.9
55 to 64	261.5	162.9	43.6	76.2
Education (In grade)				
Less than 9th	247.9	187.9	94.3	130.6
9 to 11th	310.4	213.1	110.8	179.6
12th	321.4	191.3	60.2	92.0
More than 12th	214.7	187.3	26.5	59.2
Sex				
Female	225.6	185.7	98.2	157.9
Male	361.6	236.0	65.2	115.3

Note: Base is the population who reported in the CPS that they (1) could not work because of a disability or illness and (2) were not receiving DI or SSI benefits. These estimates exclude institutionalized people whom the CPS does not count.

**Appendix IV
Supplementary Tables**

Table IV.5: Incidence Rates for Severely Impaired Population Aged 18 to 64 (1988)

Demographic characteristic	Per 1,000			
	DI program		SSI program	
	Whites	Blacks	Whites	Blacks
Total severely impaired population	156.2	88.4	46.1	55.2
Age (in years)				
18 to 24	125.7	40.9	181.8	78.3
25 to 34	126.1	80.8	39.9	66.4
35 to 44	138.4	96.4	38.6	52.8
45 to 54	183.4	106.9	38.6	52.8
55 to 64	164.8	88.2	26.3	41.8
Education (in grade)				
Less than 9th	132.0	94.0	46.7	62.4
9 to 11th	153.3	84.6	49.9	67.3
12th	167.6	74.5	28.6	34.1
More than 12th	125.2	78.5	13.9	22.9
Sex				
Female	112.2	75.7	48.1	65.2
Male	196.3	100.0	32.9	46.2

Note: Base is the population who reported in the CPS that they (1) could not work because of a disability or illness and (2) were not receiving DI or SSI benefits. These estimates exclude institutionalized people whom the CPS does not count.

**Appendix IV
Supplementary Tables**

Table IV.6: Distribution of All DI and SSI Applicants by Demographic Characteristics and Impairment Type (1988)

In percent

Characteristic	DI program		SSI program	
	Whites	Blacks	Whites	Blacks
Age (in years)				
18 to 24	5	5	20	13
25 to 34	16	20	18	23
35 to 44	19	24	19	23
45 to 54	25	26	21	22
55 to 64	35	26	22	19
Education (in grade)				
Less than 9th	19	20	26	22
9 to 11th	21	28	28	36
12th	40	35	28	26
More than 12th	14	10	6	5
Sex				
Female	36	41	58	55
Male	64	59	42	45
Region				
Northeast	14	12	14	14
South	42	58	42	48
Midwest	24	21	24	27
West	19	9	20	11
Percent urban population				
Less than 60%	15	16	16	12
60% to 75%	41	41	41	39
More than 75%	44	43	43	50
Impairment type				
Cardiovascular disorders:				
Hypertension	2	6	3	8
Ischemic heart	7	3	3	2
Other	6	7	4	5
Endocrine disorders:				
Diabetes	2	4	3	4
Other	4	5	5	6
Mental disorders:				
Mental retardation	2	3	11	7
Schizophrenia	3	5	6	7
Other	11	9	16	13
Musculoskeletal disorders:				
Fractures	7	6	5	4
Osteoarthritis	5	5	4	4
Other	19	16	11	9

(continued)

**Appendix IV
Supplementary Tables**

Characteristic	In percent			
	DI program		SSI program	
	Whites	Blacks	Whites	Blacks
Neoplasms	9	6	4	3
Neurological and sensory disorders	8	7	9	8
Respiratory disorders	5	3	5	4
Other disorders	12	15	12	16

Note: All subgroups may not add to 100 percent because of rounding of percentages.

Table IV.7: Initial DI and SSI Allowance Rates by Demographic Characteristics and Impairment Type for Applicants Who Passed the Screen for Nonsevere Impairments (1988)

Characteristic	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
All applicants	.50	.45	.05	.51	.46	.05
Age (In years)						
18 to 24	.50	.46	.04	.60	.51	.09
25 to 34	.42	.41	.01	.44	.45	-.01
35 to 44	.39	.36	.03	.38	.37	.01
45 to 54	.44	.40	.04	.41	.36	.05
55 to 64	.61	.58	.03	.66	.62	.04
Education (In grade)						
Less than 9th	.49	.52	-.03	.51	.52	-.01
9 to 11th	.46	.42	.04	.46	.42	.04
12th	.49	.42	.07	.46	.41	.05
More than 12th	.56	.45	.11	.51	.42	.09
Sex						
Female	.47	.42	.05	.50	.45	.05
Male	.51	.46	.05	.52	.46	.06
Region						
Northeast	.54	.42	.12	.51	.42	.09
South	.48	.46	.02	.51	.50	.01
Midwest	.51	.44	.07	.52	.43	.09
West	.47	.38	.09	.48	.41	.07
Percent Urban Population						
Less than 60%	.49	.53	-.04	.52	.55	-.03
60% to 75%	.48	.44	.04	.49	.47	.02
More than 75%	.51	.42	.09	.52	.42	.10

(continued)

**Appendix IV
Supplementary Tables**

Characteristic mpairment type	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
Cardiovascular disorders:						
Hypertension	.13	.11	.02	.16	.13	.03
Ischemic heart	.49	.48	.01	.51	.50	.01
Other	.64	.64	.00	.60	.60	.00
Endocrine disorders:						
Diabetes	.23	.16	.07	.20	.15	.05
Other	.41	.43	-.02	.41	.43	-.02
Mental disorders:						
Mental retardation	.56	.64	-.08	.66	.70	-.04
Schizophrenia	.78	.70	.08	.85	.80	.05
Other	.52	.44	.08	.49	.40	.09
Musculoskeletal disorders:						
Fractures	.28	.21	.07	.30	.25	.05
Osteoarthritis	.35	.32	.03	.34	.32	.02
Other	.18	.16	.02	.20	.18	.02
Neoplasms	.91	.89	.02	.84	.77	.07
Neurological and sensory disorders	.53	.42	.11	.53	.34	.19
Respiratory disorders	.57	.46	.11	.46	.34	.12
Other disorders	.59	.57	.02	.49	.52	-.03

Appendix IV
Supplementary Tables

Table IV.8: Distribution of DI and SSI Appellants at ALJ Appeals Level by Demographic Characteristics and Impairment Type (1988)

Characteristic	In percent			
	DI program		SSI program	
	Whites	Blacks	Whites	Blacks
Age (in years)				
18 to 24	2	2	10	6
25 to 34	13	15	17	18
35 to 44	24	28	26	27
45 to 54	34	35	32	33
55 to 64	27	20	17	16
Education (in grade)				
Less than 9th	22	21	30	23
9 to 11th	22	29	27	37
12th	39	34	28	26
More than 12th	11	8	6	5
Sex				
Female	36	42	58	56
Male	64	58	42	45
Region				
Northeast	9	8	10	9
South	50	62	47	47
Midwest	23	21	22	34
West	17	8	20	10
Percent urban population				
Less than 60%	18	16	20	11
60% to 75%	46	47	44	39
More than 75%	36	37	37	50
Initial denial basis^a				
Nonsevere impairments (step two)	33	41	33	37
Vocational Factors (steps four and five)	64	56	63	54
Other	2	4	5	8

(continued)

**Appendix IV
Supplementary Tables**

Characteristic Impairment type	DI program		SSI program	
	Whites	Blacks	Whites	Blacks
In percent				
Cardiovascular disorders:				
Hypertension	3	9	5	13
Ischemic heart	7	4	3	2
Other	5	5	4	4
Endocrine disorders:				
Diabetes	3	5	4	6
Other	4	5	6	6
Mental disorders:				
Mental retardation	1	1	5	2
Schizophrenia	1	2	2	2
Other	8	6	15	11
Musculoskeletal disorders:				
Fractures	8	8	6	5
Osteoarthritis	6	6	6	6
Other	33	27	18	14
Neoplasms	3	2	2	2
Neurological and sensory disorders	6	6	8	8
Respiratory disorders	5	4	6	5
Other disorders	10	12	11	14

Note: All subgroups may not add to 100 percent because of rounding of percentages.

^aApplicants can be denied at the initial level at steps two, four, and five of the sequential evaluation process or for other reasons pertaining to documentation.

**Appendix IV
Supplementary Tables**

Table IV.9: DI and SSI Allowance Rates for ALJ Appeals Decisions by Demographic Characteristics and Impairment Type for Appellants Who Passed Initial DDS Screen for Nonsevere Impairments (1988 Cases)

Characteristic	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
All applicants	.69	.59	.10	.63	.55	.08
Age (In years)						
18 to 24	.58	.48	.10	.60	.47	.13
25 to 34	.60	.48	.12	.59	.46	.13
35 to 44	.62	.50	.12	.58	.51	.07
45 to 54	.68	.62	.06	.64	.57	.07
55 to 64	.79	.74	.05	.75	.70	.05
Education (In grade)						
Less than 9th	.70	.67	.03	.64	.61	.03
9 to 11th	.67	.59	.08	.60	.54	.06
12th	.68	.56	.12	.62	.52	.10
More than 12th	.70	.53	.17	.66	.50	.16
Sex						
Female	.71	.61	.10	.65	.58	.07
Male	.67	.57	.10	.59	.50	.09
Region						
Northeast	.71	.57	.14	.64	.49	.15
South	.70	.62	.08	.65	.61	.04
Midwest	.67	.54	.13	.58	.49	.09
West	.65	.57	.08	.64	.58	.06
Percent urban population						
Less than 60%	.69	.62	.07	.65	.56	.09
60% to 75%	.69	.60	.09	.64	.59	.05
More than 75%	.68	.57	.11	.61	.52	.09

(continued)

**Appendix IV
Supplementary Tables**

Characteristic Impairment type	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
Cardiovascular disorders:						
Hypertension	.67	.58	.09	.65	.56	.09
Ischemic heart	.75	.66	.09	.68	.65	.03
Other	.76	.69	.07	.67	.60	.07
Endocrine disorders:						
Diabetes	.71	.64	.07	.65	.61	.04
Other	.67	.58	.09	.59	.51	.08
Mental disorders:						
Mental retardation	.57	.47	.10	.64	.56	.08
Schizophrenia	.72	.71	.01	.80	.66	.14
Other	.68	.57	.11	.66	.57	.09
Musculoskeletal disorders:						
Osteoarthritis	.67	.62	.05	.62	.58	.04
Fractures	.59	.46	.13	.50	.41	.09
Other	.68	.58	.10	.59	.52	.07
Neoplasms	.78	.72	.06	.73	.65	.08
Neurological and sensory disorders	.67	.54	.13	.61	.49	.12
Respiratory disorders	.70	.63	.07	.62	.52	.10
Other disorders	.67	.56	.11	.61	.52	.09

**Appendix IV
Supplementary Tables**

Table IV.10: Final Cumulative DI and SSI Allowance Rates by Demographic Characteristics and Impairment Type (1988 Cases)

Characteristic	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
All applicants	.53	.42	.11	.50	.41	.09
Age (in years)						
18 to 24	.40	.33	.07	.54	.40	.14
25 to 34	.41	.32	.09	.42	.36	.06
35 to 44	.45	.35	.10	.42	.35	.07
45 to 54	.54	.46	.09	.48	.41	.07
55 to 64	.63	.54	.09	.60	.55	.05
Education (in grade)						
Less than 9th	.53	.50	.03	.50	.48	.02
9 to 11th	.49	.40	.09	.45	.38	.07
12th	.52	.39	.13	.48	.37	.11
More than 12th	.58	.42	.16	.52	.39	.13
Sex						
Female	.50	.41	.09	.49	.41	.08
Male	.54	.42	.12	.50	.40	.10
Region						
Northeast	.59	.46	.13	.54	.43	.11
South	.53	.43	.10	.49	.43	.06
Midwest	.51	.37	.14	.48	.37	.11
West	.53	.42	.11	.53	.43	.10
Percent urban population						
Less than 60%	.55	.48	.07	.50	.47	.03
60% to 75%	.52	.41	.11	.49	.40	.09
More than 75%	.54	.57	-.03	.52	.41	.11

(continued)

**Appendix IV
Supplementary Tables**

Characteristic Impairment type	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
Cardiovascular disorders:						
Hypertension	.27	.22	.05	.28	.24	.04
Ischemic heart	.63	.56	.07	.60	.55	.05
Other	.69	.66	.03	.60	.59	.01
Endocrine disorders:						
Diabetes	.37	.27	.10	.30	.25	.05
Other	.45	.39	.06	.41	.39	.02
Mental disorders:						
Mental retardation	.61	.65	-.04	.70	.71	-.02
Schizophrenia	.74	.64	.10	.84	.76	.08
Other	.55	.41	.14	.53	.40	.13
Musculoskeletal disorders:						
Fractures	.30	.21	.09	.26	.20	.06
Osteoarthritis	.47	.39	.08	.41	.37	.04
Other	.38	.30	.08	.31	.26	.05
Neoplasms	.85	.80	.05	.73	.71	.02
Neurological and sensory disorders	.57	.42	.15	.52	.36	.16
Respiratory disorders	.61	.47	.14	.49	.35	.14
Other disorders	.44	.35	.09	.34	.30	.04

**Appendix IV
Supplementary Tables**

Table IV.11: Final Cumulative DI and SSI Allowance Rates by Demographic Characteristics and Impairment Type for Applicants Who Passed Initial DDS Screen for Nonsevere Impairments (1988 Cases)

Characteristic	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
All applicants	.64	.57	.07	.62	.56	.06
Age (In years)						
18 to 24	.56	.51	.05	.66	.56	.10
25 to 34	.54	.48	.06	.55	.53	.02
35 to 44	.55	.48	.07	.53	.48	.05
45 to 54	.64	.57	.07	.58	.52	.06
55 to 64	.74	.69	.05	.76	.72	.04
Education (In grade)						
Less than 9th	.66	.66	.00	.63	.63	.00
9 to 11th	.61	.55	.06	.58	.53	.05
12th	.63	.53	.10	.59	.51	.08
More than 12th	.69	.56	.13	.64	.53	.11
Sex						
Female	.61	.55	.06	.61	.56	.05
Male	.66	.58	.08	.63	.56	.07
Region						
Northeast	.66	.52	.14	.61	.50	.11
South	.66	.59	.07	.63	.60	.03
Midwest	.65	.56	.09	.62	.55	.07
West	.63	.55	.08	.64	.58	.06
Percent urban population						
Less than 60%	.67	.66	.01	.64	.66	-.02
60% to 75%	.64	.58	.06	.62	.58	.04
More than 75%	.65	.54	.11	.63	.54	.09

(continued)

**Appendix IV
Supplementary Tables**

Characteristic Impairment type	DI program			SSI program		
	Whites	Blacks	Racial difference	Whites	Blacks	Racial difference
Cardiovascular disorders:						
Hypertension	.36	.30	.06	.37	.31	.06
Ischemic heart	.67	.61	.06	.65	.61	.04
Other	.77	.75	.02	.70	.69	.01
Endocrine disorders:						
Diabetes	.47	.37	.10	.40	.33	.07
Other	.56	.55	.01	.53	.53	.00
Mental disorders:						
Mental retardation	.64	.69	-.05	.73	.74	-.01
Schizophrenia	.84	.76	.08	.90	.84	.06
Other	.64	.53	.11	.62	.50	.12
Musculoskeletal disorders:						
Fractures	.43	.33	.10	.41	.34	.07
Osteoarthritis	.54	.49	.05	.50	.48	.02
Other	.43	.36	.07	.38	.35	.03
Neoplasms						
Neurological and sensory disorders	.66	.53	.13	.62	.45	.17
Respiratory disorders	.71	.59	.12	.59	.46	.13
Other disorders	.70	.65	.05	.60	.60	.00

Comments From the Social Security Administration



THE COMMISSIONER OF SOCIAL SECURITY
BALTIMORE, MARYLAND 21235

FEB - 4 1992

Mr. Lawrence J. Thompson
Assistant Comptroller General
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Thompson:

This letter provides our comments on the General Accounting Office's (GAO) draft report, "Social Security: Racial Disparities in Disability Decisions for Certain Groups of Applicants Warrant Further Investigation." The GAO's findings generally support the Social Security Administration's (SSA) findings that racial bias is not a factor in State Disability Determination Service (DDS) level decisions regarding eligibility for Federal disability benefits. The GAO study also reviews decisions at the Administrative Law Judge (ALJ) level and suggests the possibility that racial bias could be a factor in explaining why, in aggregate, a higher percentage of blacks are turned down for benefits than whites at this point in the adjudication process.

We are extremely concerned that the possibility of racial bias could be present within this process, which must rest first and foremost on affording fairness and equity to all. However, we believe that the methodology used by the GAO may be seriously flawed in that it fails to provide a thorough analysis of critical medical data that could affect the relationship between race and the rate at which disability benefits are allowed.

A central element in determining whether an individual is eligible for disability benefits is the severity of an applicant's impairment. Before approving anyone for benefits, examiners in the State DDSs must establish that the disability is severe and that it will last for a period of at least 12 months or result in death. The SSA's own studies on whether race could be a factor in disability decisions during the DDS review have included a careful folder analysis using an independent, objective measure of severity of the impairment (the Federal Physicians' Severity Rating).

These sample studies consistently show that blacks apply for benefits at a higher rate and with less severe impairments than do whites. When those individuals with "not severe" impairments are removed from the sample, the findings show that blacks with severe impairments actually receive benefits at a

**Appendix V
Comments From the Social Security
Administration**

higher rate than whites with severe impairments. These studies are also the basis of GAO's finding that race is not a factor at the first stage of decisionmaking. However, when GAO staff reviewed the disability decision process at the ALJ level, rather than relying on the same careful analysis and an objective measurement of impairment severity such as the Federal Physicians' Severity Rating, they relied on the initial DDS decision.

The GAO attempted to then analyze the findings using a "self report" of severity. The GAO report itself points out that 30 percent of self-reported disabilities were actually due to economic factors rather than the physical impairments the law actually requires for eligibility (pg. 19 footnote). Obviously, self-reporting is not a meaningful substitute for a thorough, objective folder review, and such an analysis was not conducted by the GAO.

Moreover, applicants who are denied at the first stage of the process because their impairment is "not severe," appeal to ALJs at only slightly lower rates than applicants with severe impairments. Therefore, a significant number of applicants with "non-severe" impairments present themselves at the ALJ level, and it should come as no surprise that most are denied benefits.

Nevertheless, despite our very serious concerns with the GAO's methodology, the mere suggestion of bias in our adjudicatory process must be dealt with vigorously and decisively. Therefore, we will immediately: (1) conduct a review of those regions in which the GAO analysis noted a significant disparity in the rate at which blacks were denied benefits as compared to whites to determine the cause for any disparity; (2) conduct a historical (1985-1991) review of allowance rates of individual ALJs whom GAO identified as having the greatest disparities in awards by race in order to determine if, in fact, a pattern of such disparity exists and if so, the reasons for it; and (3) explore the use of an overall quality assurance program based on a sampling of ALJ decisions as well as an improved management information system for the Office of Hearings and Appeals (OHA), which oversees the ALJs, so that, among other things, the Agency improves its capability to ensure fairness in decisionmaking. As you have suggested, we will also look into the issue of differences in initial allowance rates by race for SSI applicants aged 18-24. To further protect the integrity of the entire disability adjudication process, I will also call for a thorough review of the SSA medical listings used in part to determine disability, to ensure that they take into account impairments occurring more frequently among minorities, and that there is no inherent bias in the process itself.

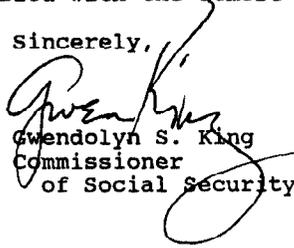
Appendix V
Comments From the Social Security
Administration

Further, we have already moved to reinvigorate the OHA Appeals Council regular reviews of ALJ decisions, focusing on whether the decisions are fair, impartial, and within an ALJ's latitude of administrative and legal discretion; and to seek expert guidance for the Agency from organizations such as the Administrative Conference of the United States and organizations providing representation of claimants, requesting their assistance in reviewing the ALJ process and seeking recommendations for other measures to ensure that each and every applicant is afforded equitable treatment.

Finally, it is important to note that SSA has continued to improve upon its historically strong record of providing opportunity to women and minorities. I have recently appointed four individuals in slots essential to OHA; Deputy Commissioner for Programs; Associate Commissioner for the Office of Hearings and Appeals; Acting Chief ALJ and Acting Deputy Chief ALJ. Three of these positions have been filled by minorities, and there can be no doubt as to the strength of the Agency's commitment to nondiscriminatory adjudication. Moreover, I have succeeded in persuading the Office of Personnel Management to remove certain barriers to the recruitment of women, minorities, and government attorneys as ALJs. As a result, recent classes of ALJs have been more diverse than most of their predecessors.

While we strongly believe that the vast majority of ALJs apply the highest principles of justice in their decisionmaking, it is paramount that the Social Security Administration ensure that all people seeking assistance are afforded the fairness and equity that is so imperative to the soundness of the American system of Government. Nowhere is this more important than in this Agency's disability process. Despite our questions about the validity of GAO's findings, all avenues will be explored to see that the process itself is just and that it is consistently applied with the utmost integrity.

Sincerely,



Gwendolyn S. King
Commissioner
of Social Security

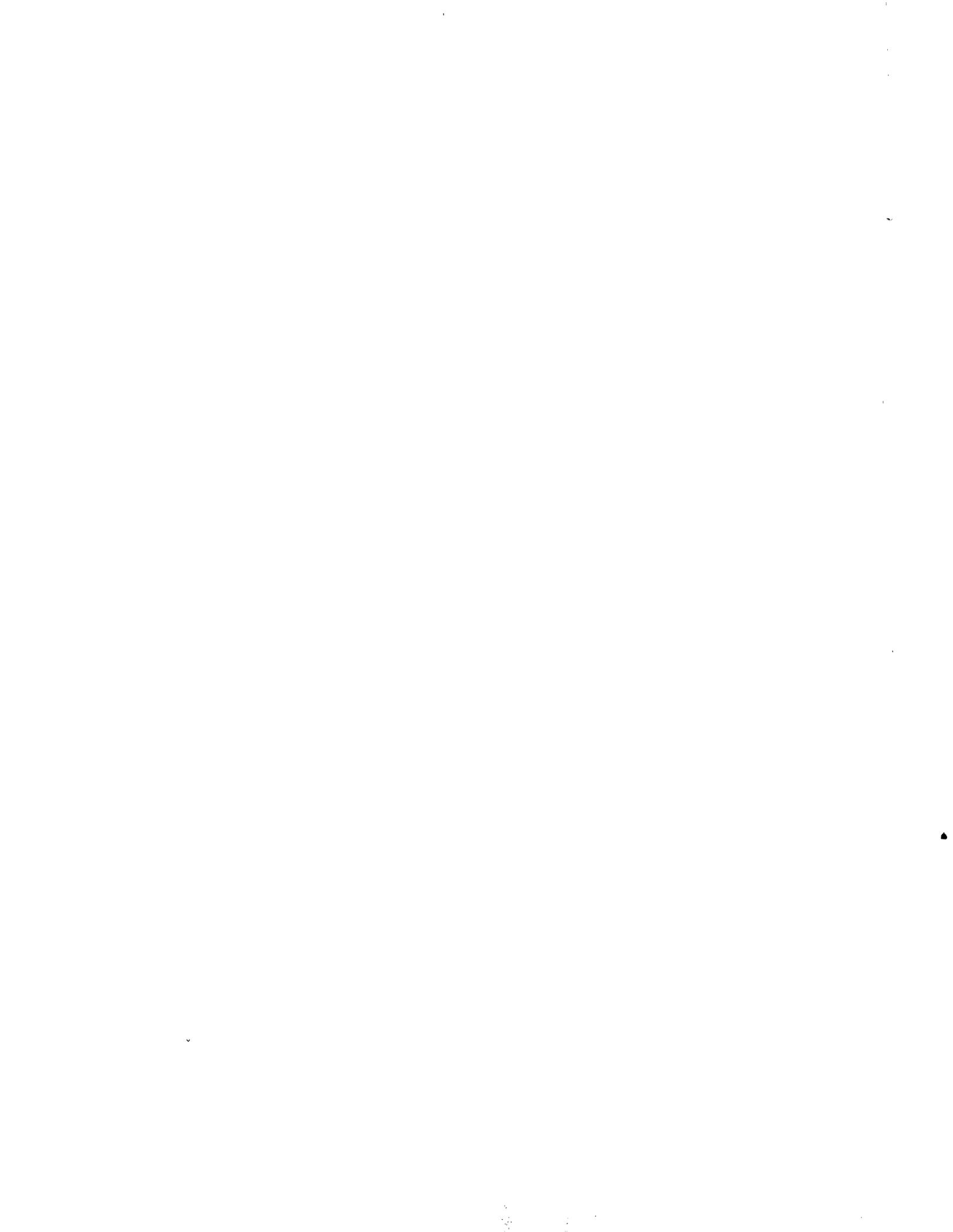
Major Contributors to This Report

**Human Resources
Division,
Washington, D.C.**

Barry D. Tice, Assistant Director
Joseph F. Law, Evaluator
Vanessa R. Taylor, Evaluator (Computer Science)
Mary Ellen Fleischmann, Computer Programmer Analyst
Steven R. Machlin, Statistician
Paula J. Bonin, Computer Specialist

**San Francisco
Regional Office**

Susan E. Arnold, Evaluator-in-Charge
Susan J. Kramer, Evaluator



Ordering Information

The first copy of each GAO report is free. Additional copies are \$2 each. Orders should be sent to the following address, accompanied by a check or money order made out to the Superintendent of Documents, when necessary. Orders for 100 or more copies to be mailed to a single address are discounted 25 percent.

**U.S. General Accounting Office
P.O. Box 6015
Gaithersburg, MD 20877**

Orders may also be placed by calling (202) 275-6241.

**United States
General Accounting Office
Washington, D.C. 20548**

**Official Business
Penalty for Private Use \$300**

**First-Class Mail
Postage & Fees Paid
GAO
Permit No. G100**