

Social Security Disability Insurance: The Untold Story

Program Growth in the Past and the Future What Next?

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Social Security Disability Insurance

155 million workers under age 66 are insured against becoming unable to work

9 million workers now receive DI benefits.

- **2 million “dependents” - mostly children**

Many more protected from loss of insured status

- **And from lower retirement benefits**

Benefits replace 40% to 45% of career earnings on average

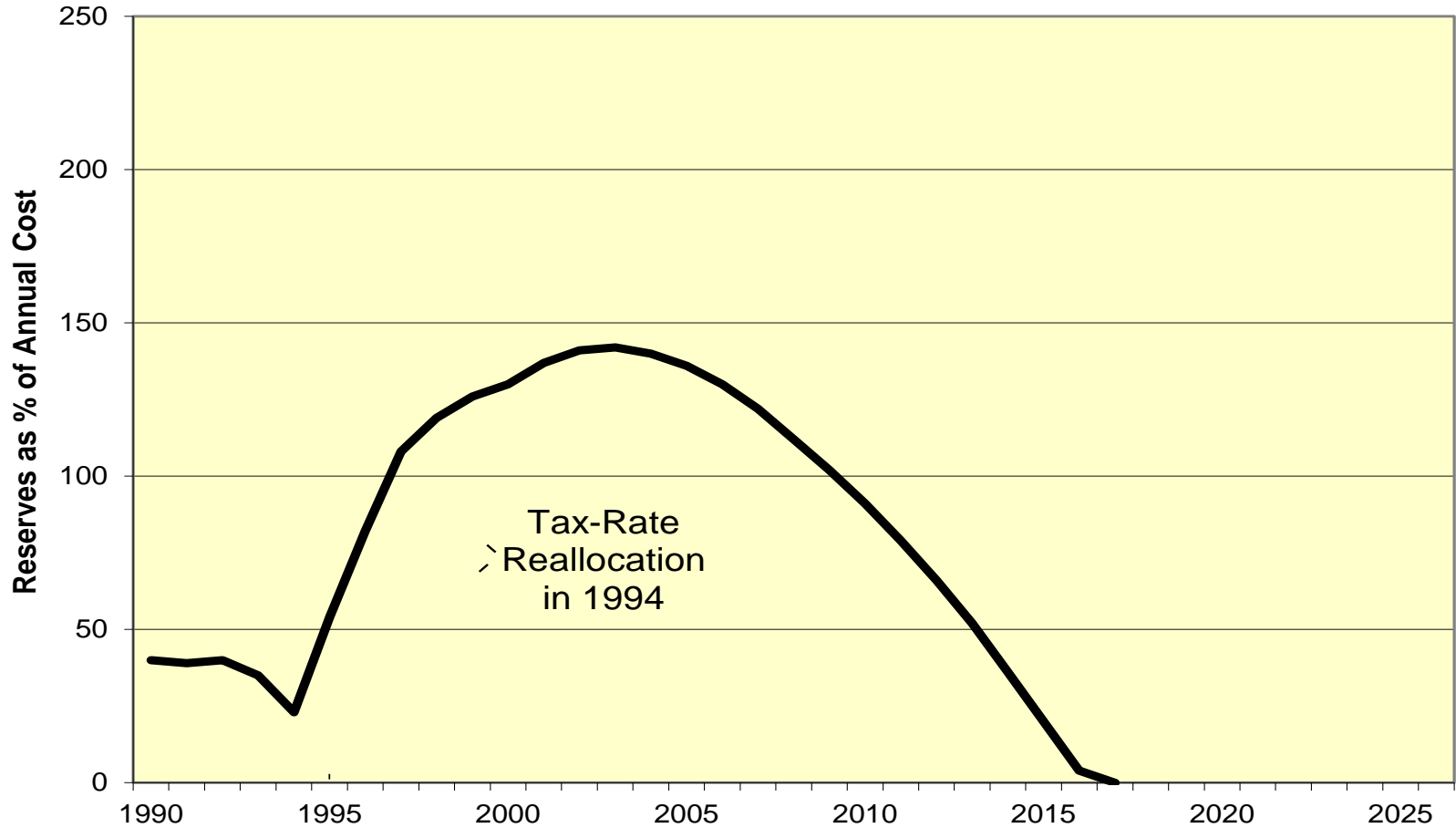
- **76% for very-low earner, 27% for steady maximum earner**

Solvency of the DI Trust Fund

Reserve depletion projected for 2016 right after 1994 reallocation

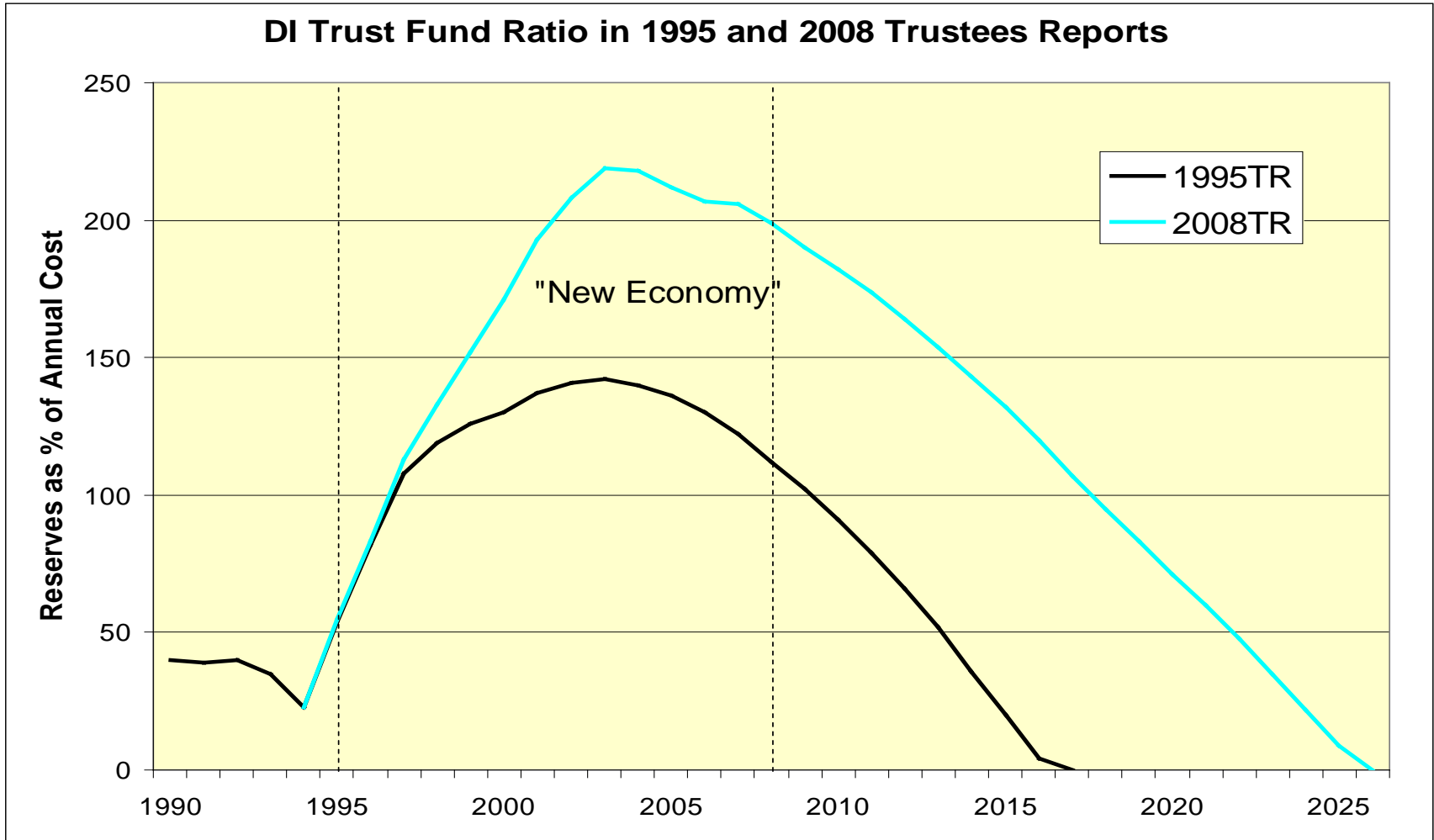
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DI Trust Fund Ratio in 1995 Trustees Report



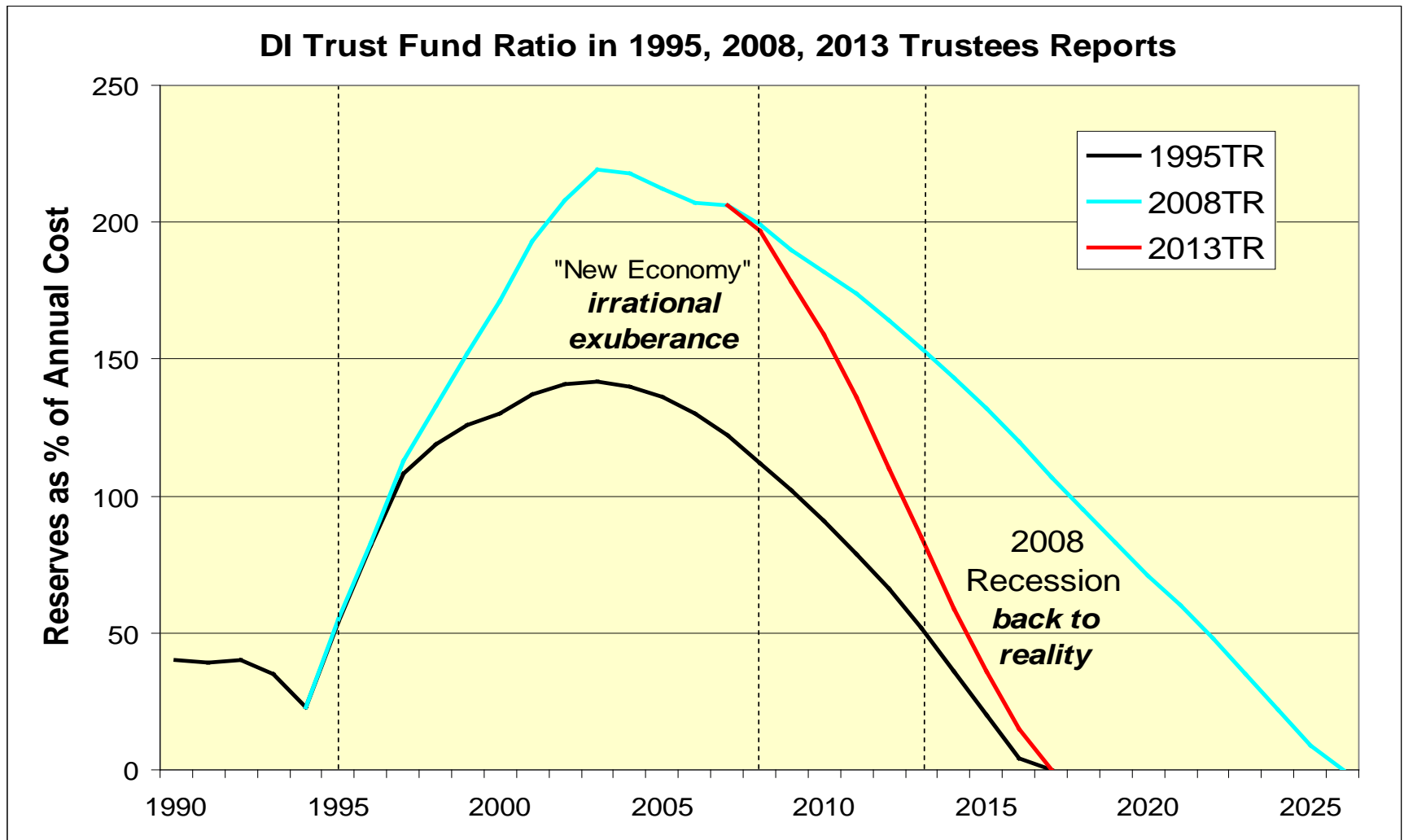
Solvency of the DI Trust Fund looked MUCH better in 2007

Boost from the “new economy” anticipating NO recession

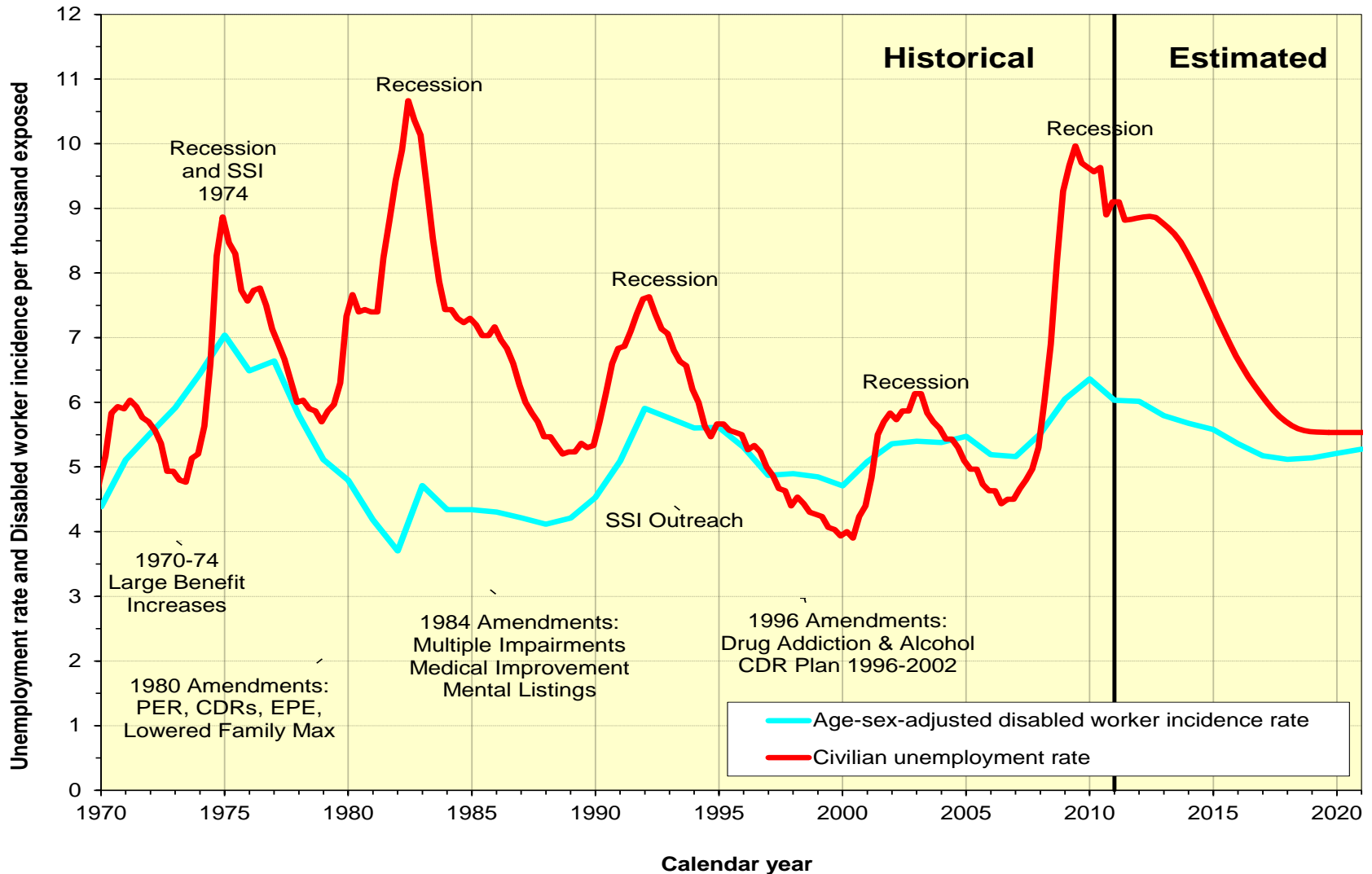


Solvency of the DI Trust Fund; reserve depletion in 2016

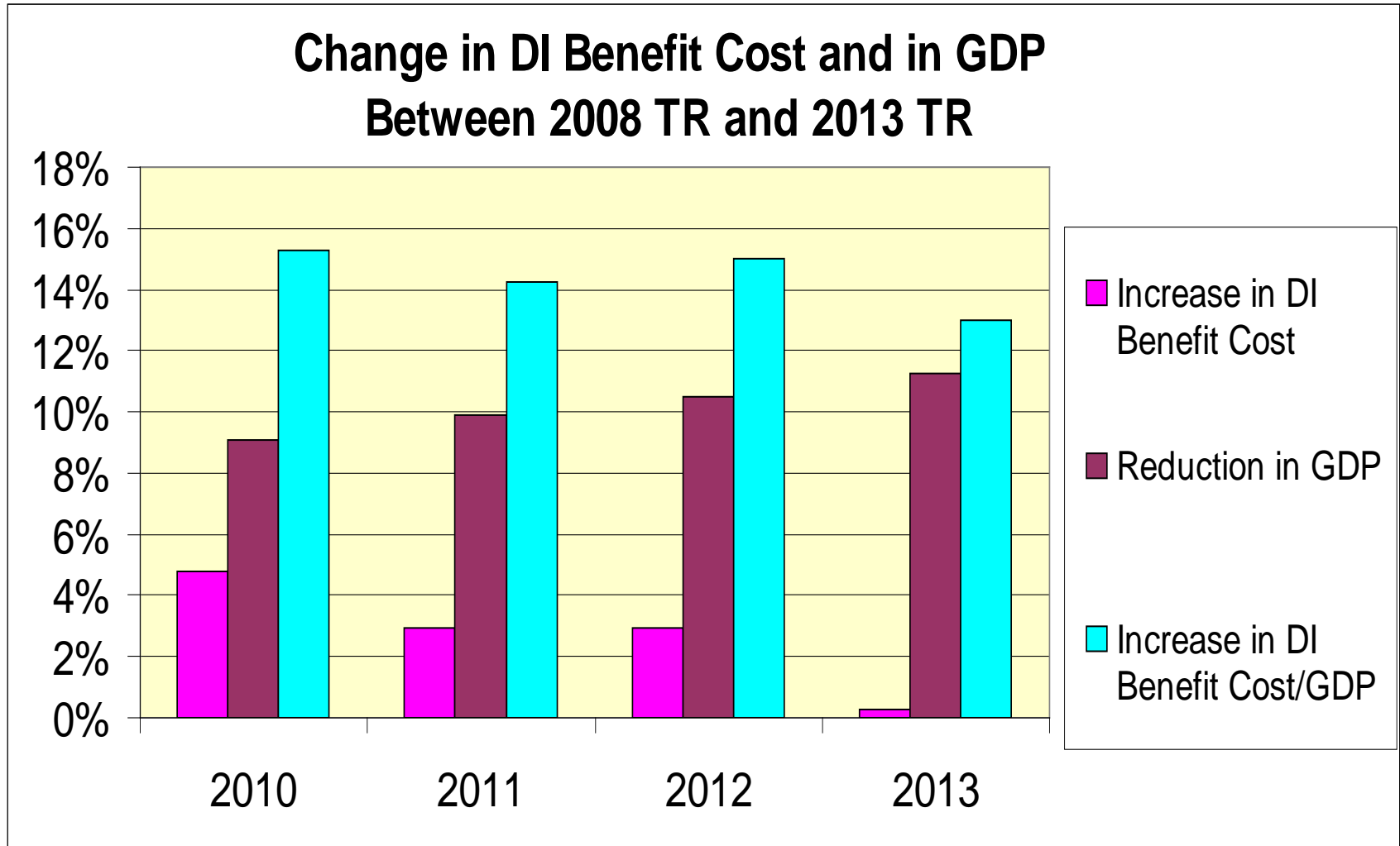
2008 recession offset “new economy”; cycles still happen



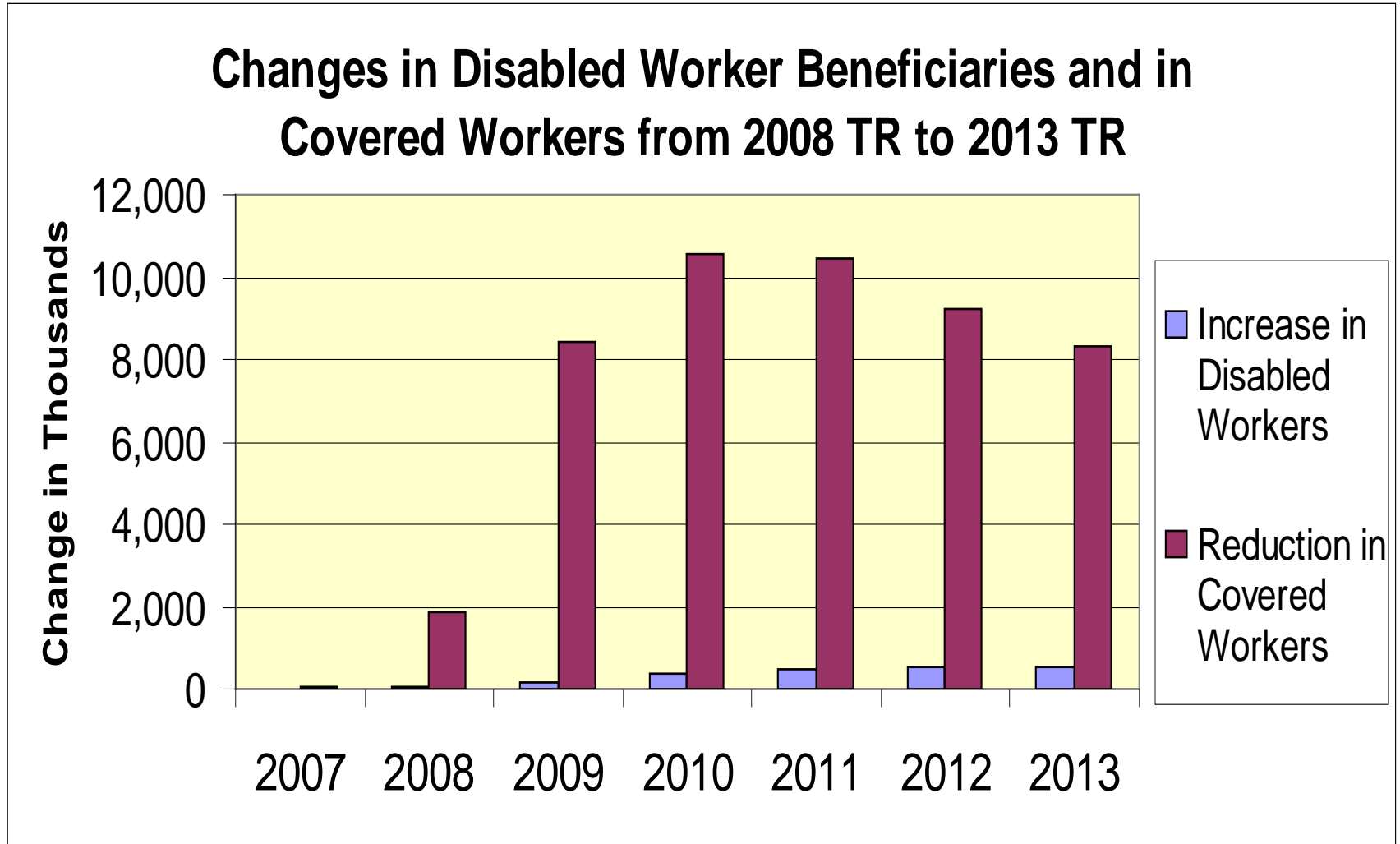
Economic cycles and policy changes fluctuate, and DI incidence rates also vary



Most of the recession effect is from less GDP, *not* more DI cost

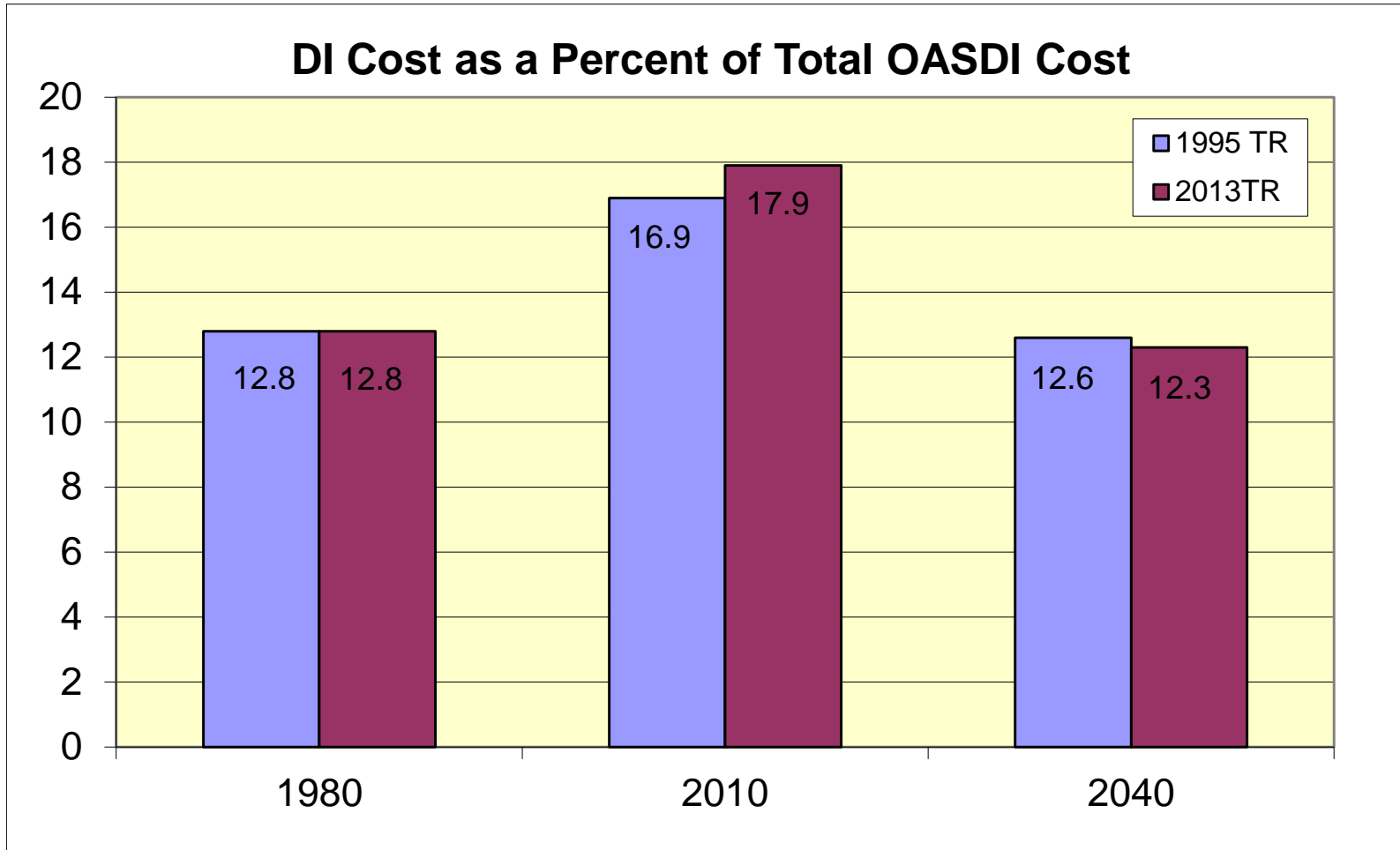


Additional disabled worker beneficiaries are a small fraction of reduced employment

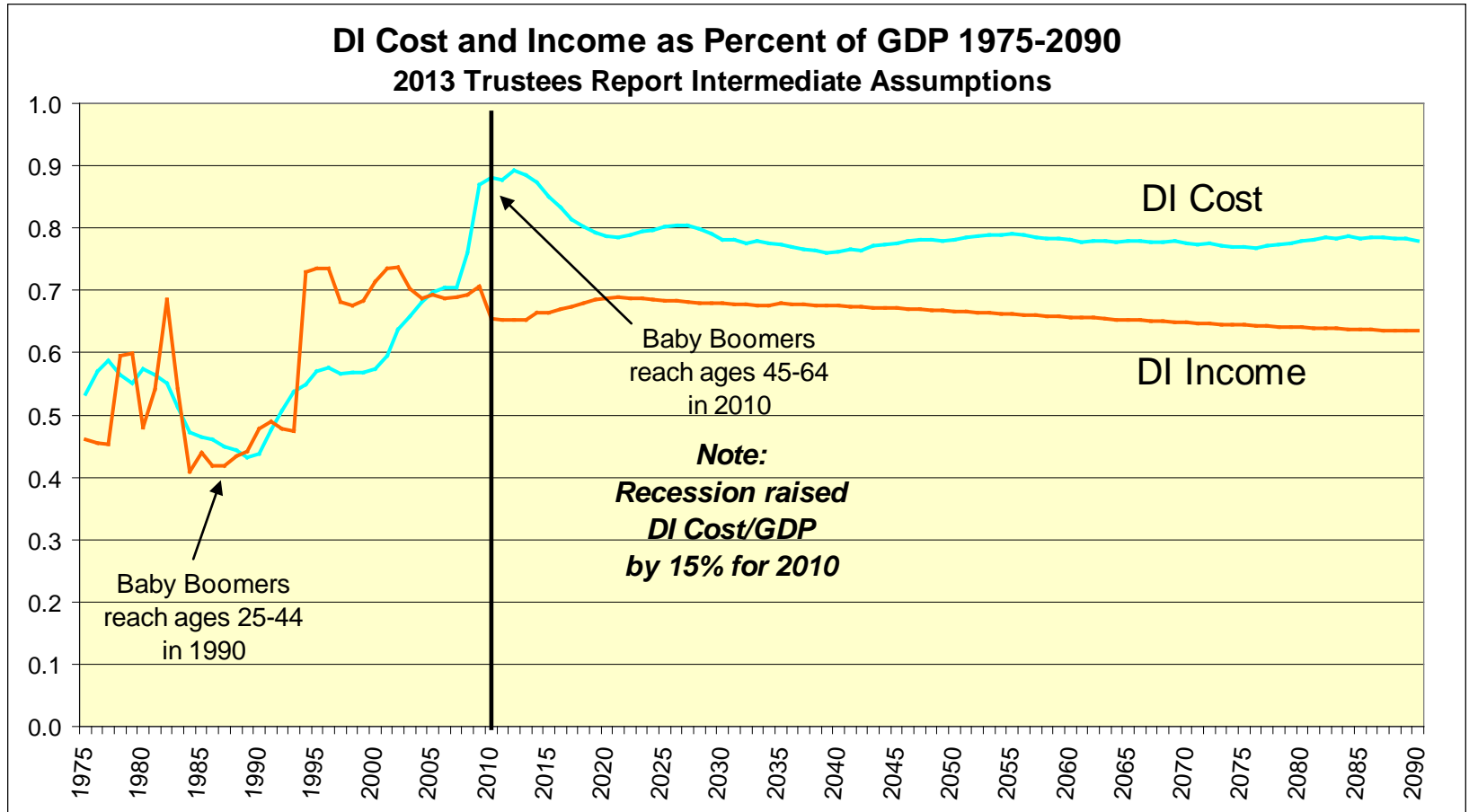


Is DI out of control, taking over OASDI?

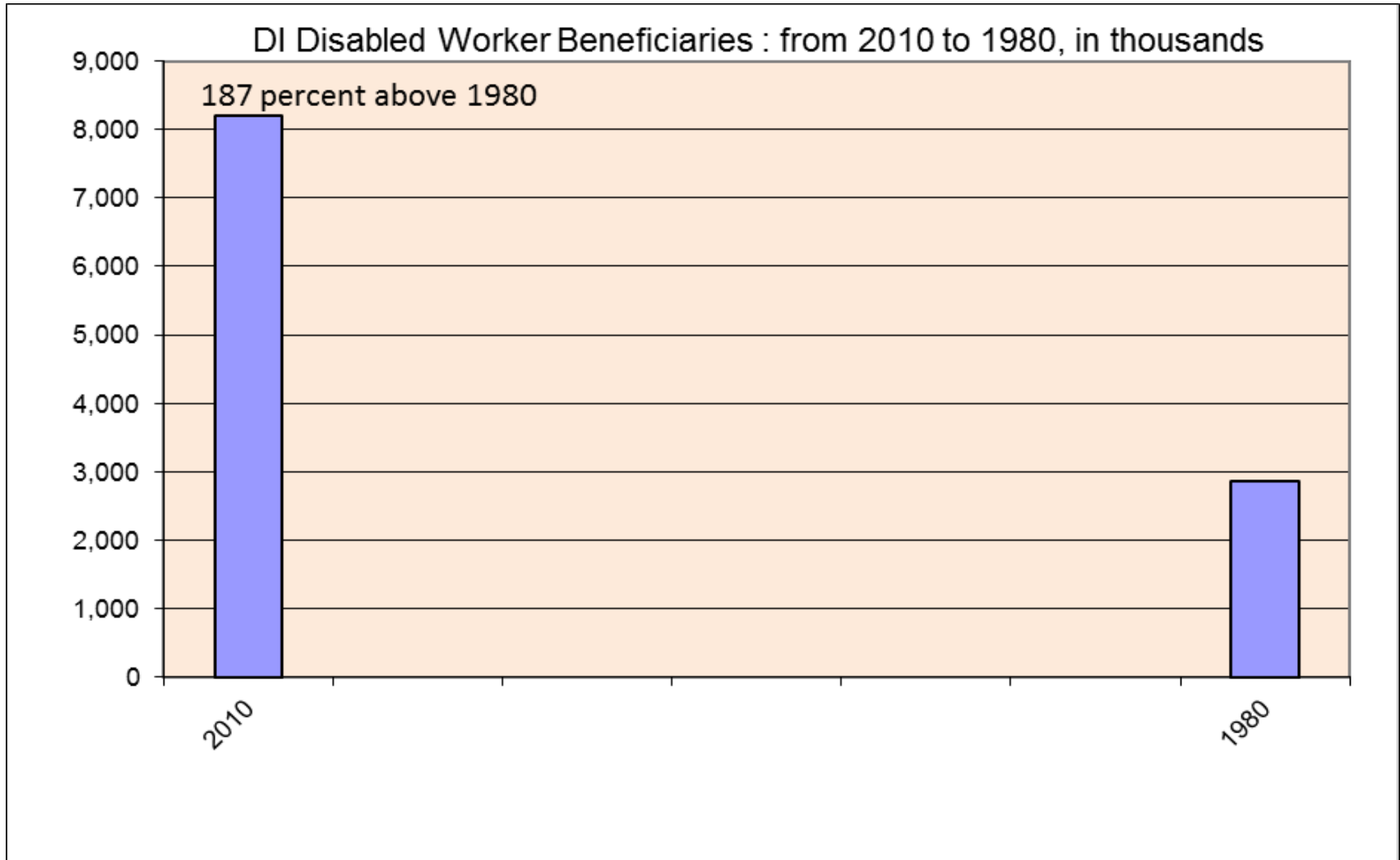
(Note 5% increase in DI cost for 2010 due to recession)



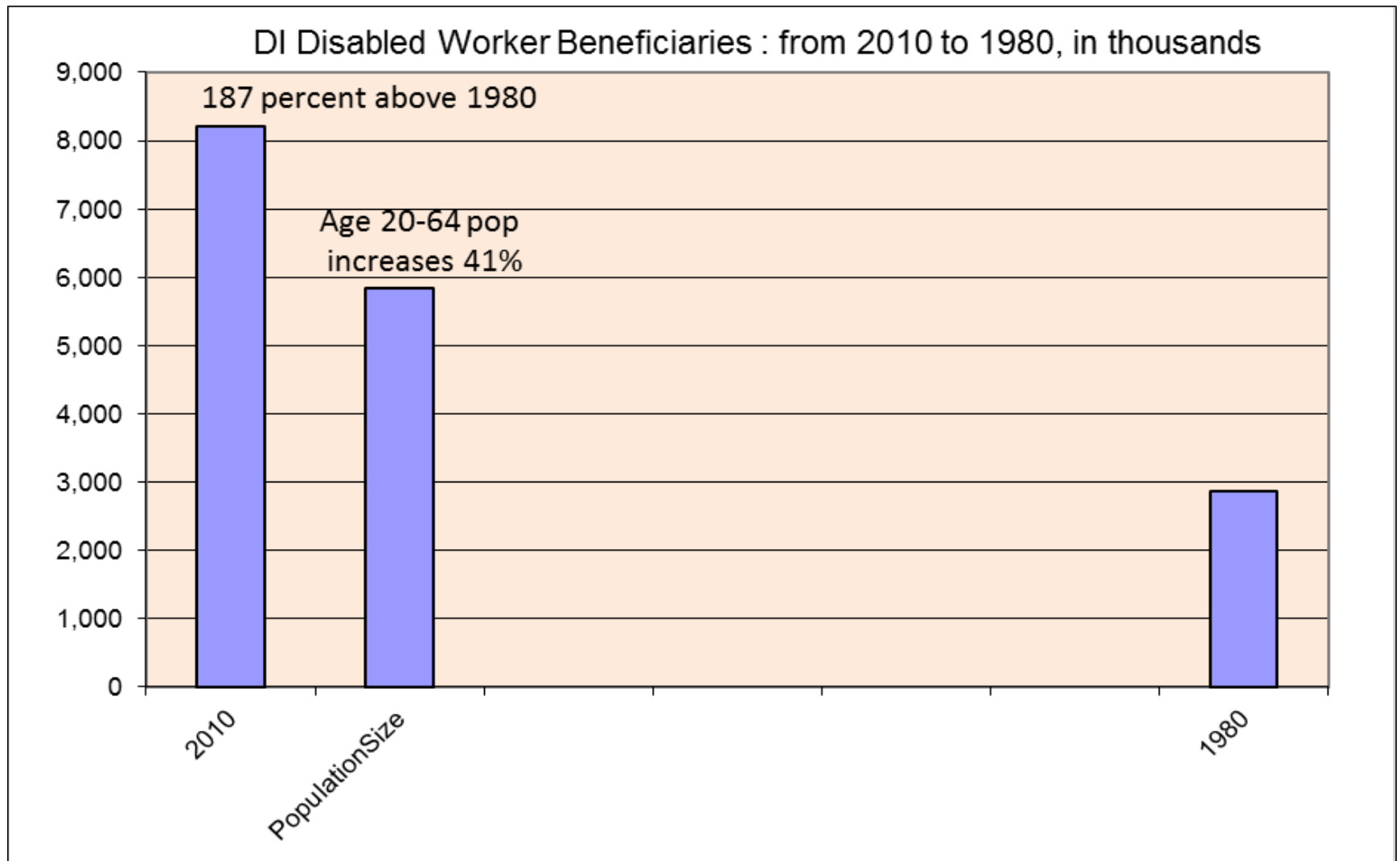
DI cost as percent of GDP has peaked, but scheduled income is too low



Disabled workers increased 187% from 1980 to 2010; let's work backwards and explain

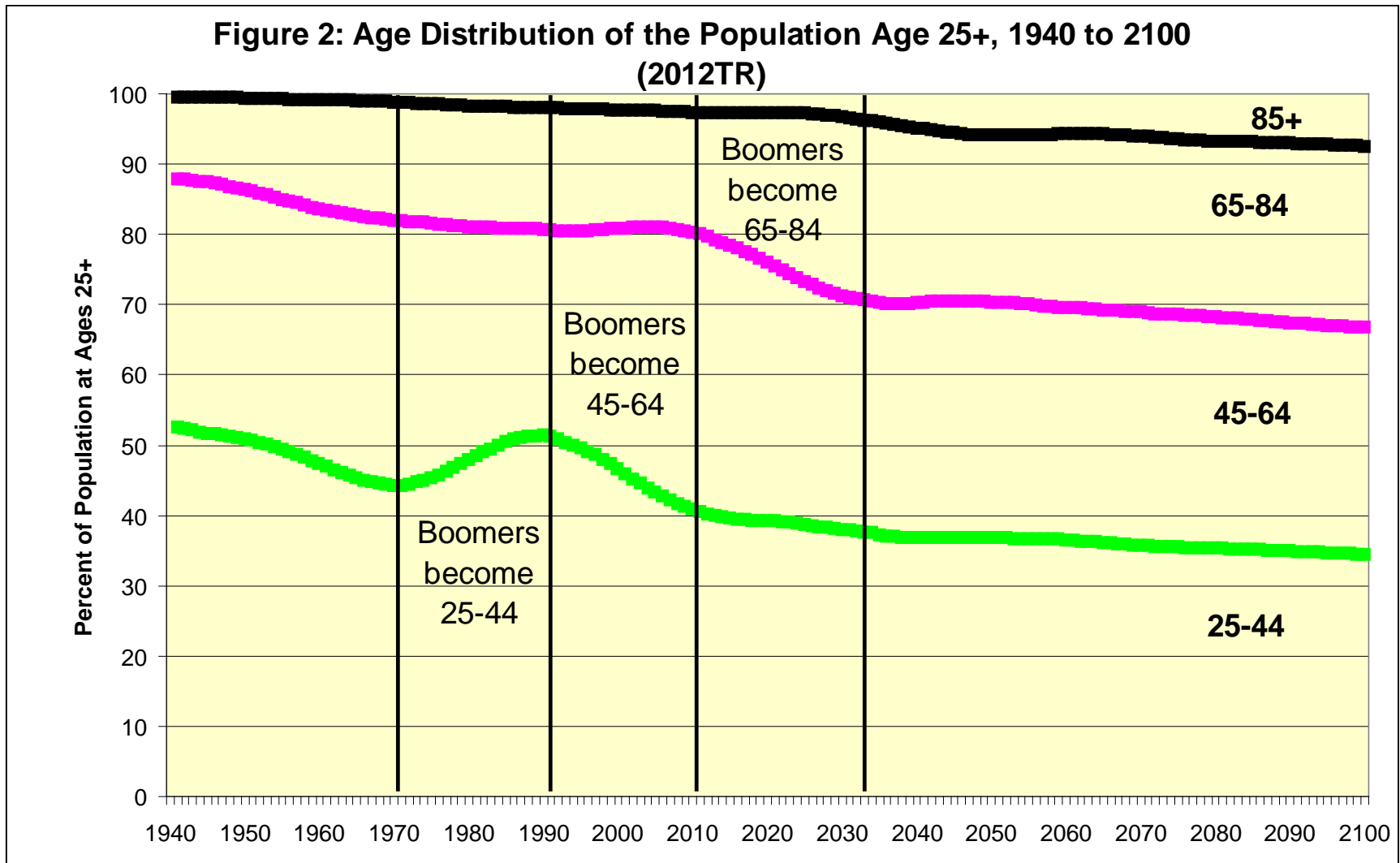


Population age 20-64 increased 41% from 1980 to 2010; let's adjust that out



Remarkable changes in age distribution

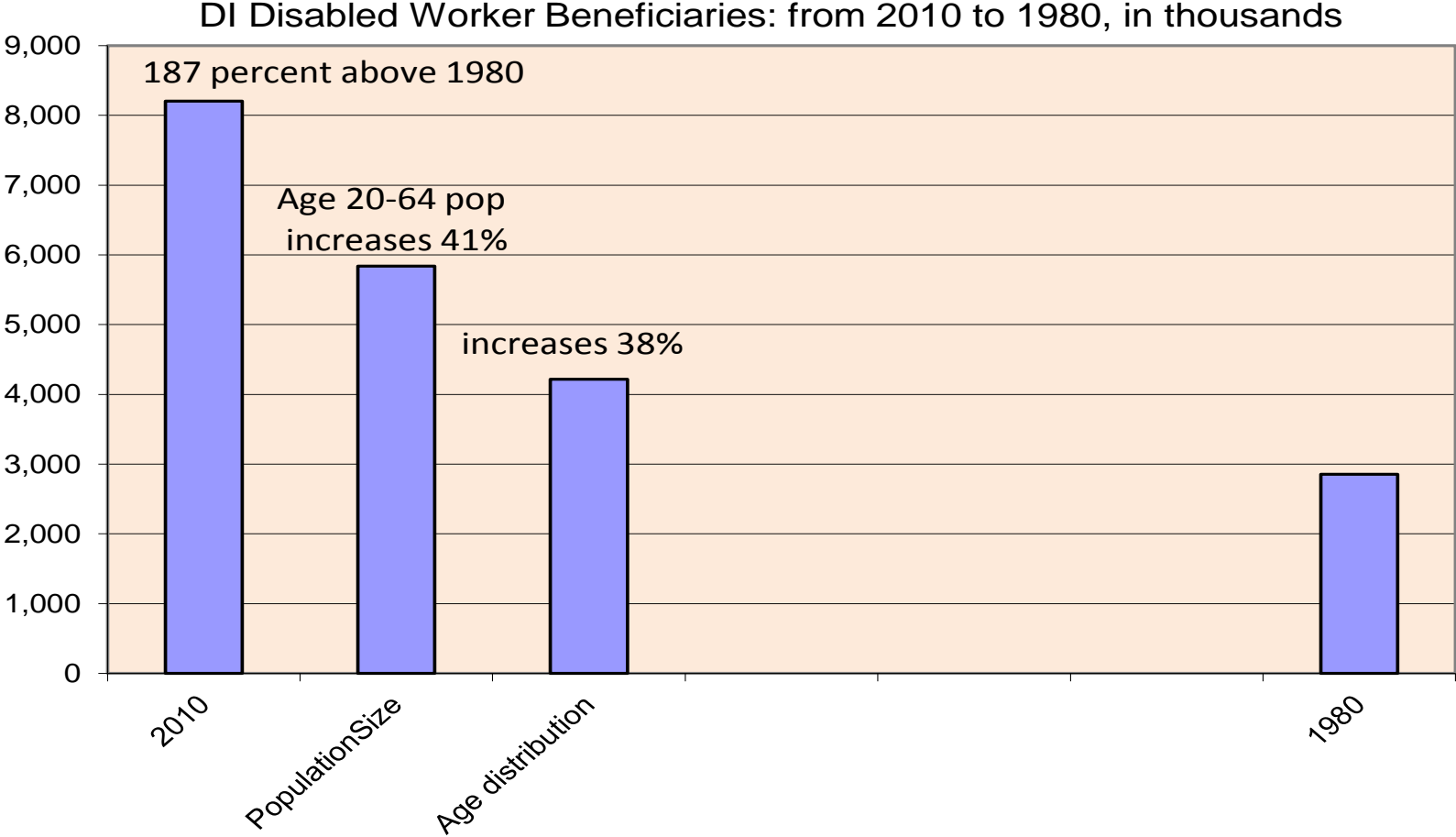
Progression of the boomers and drop in birth rates dominate



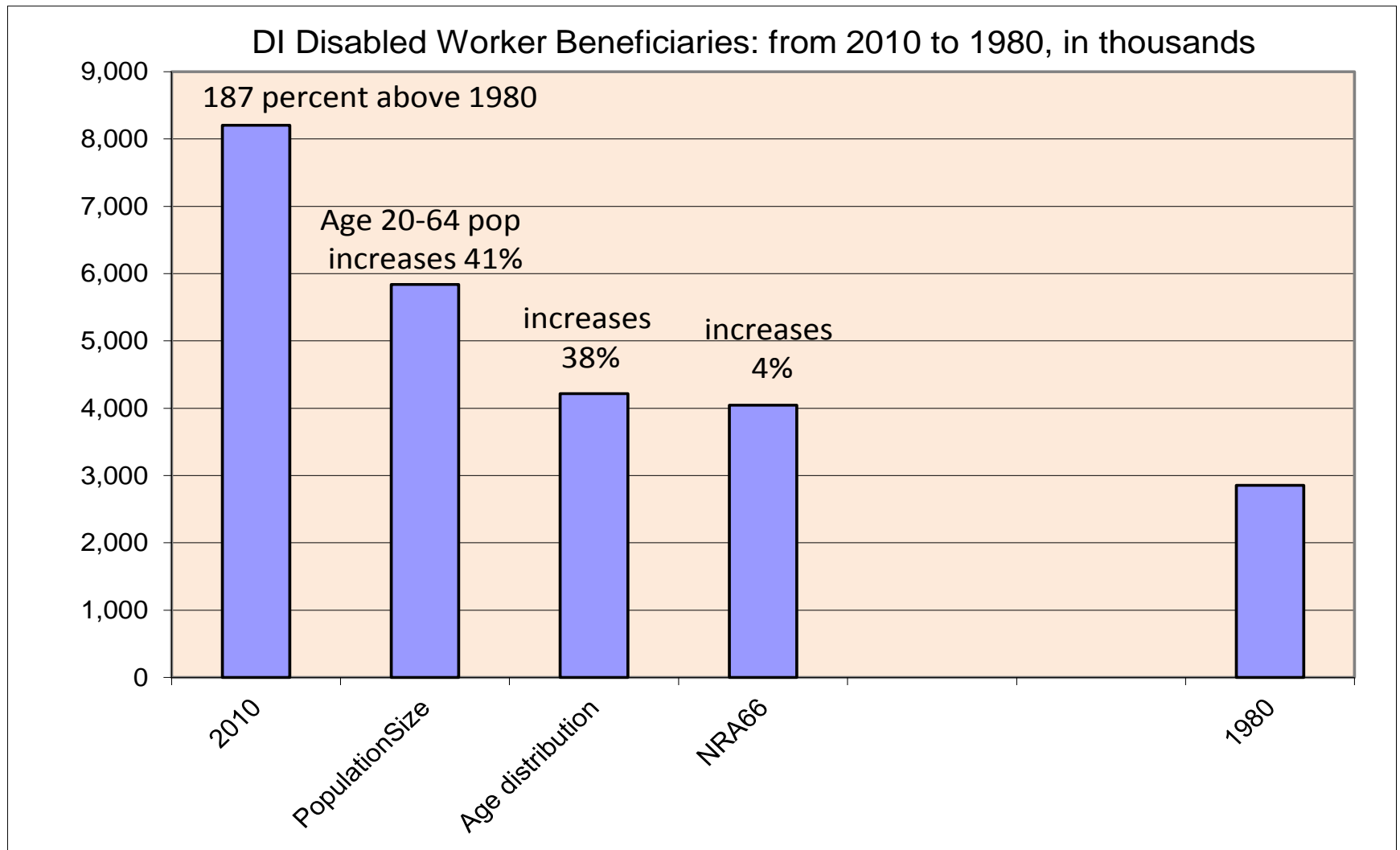
Population age 20-64 is much older in 2010

Boomers have aged with lower-birth-rate generations following

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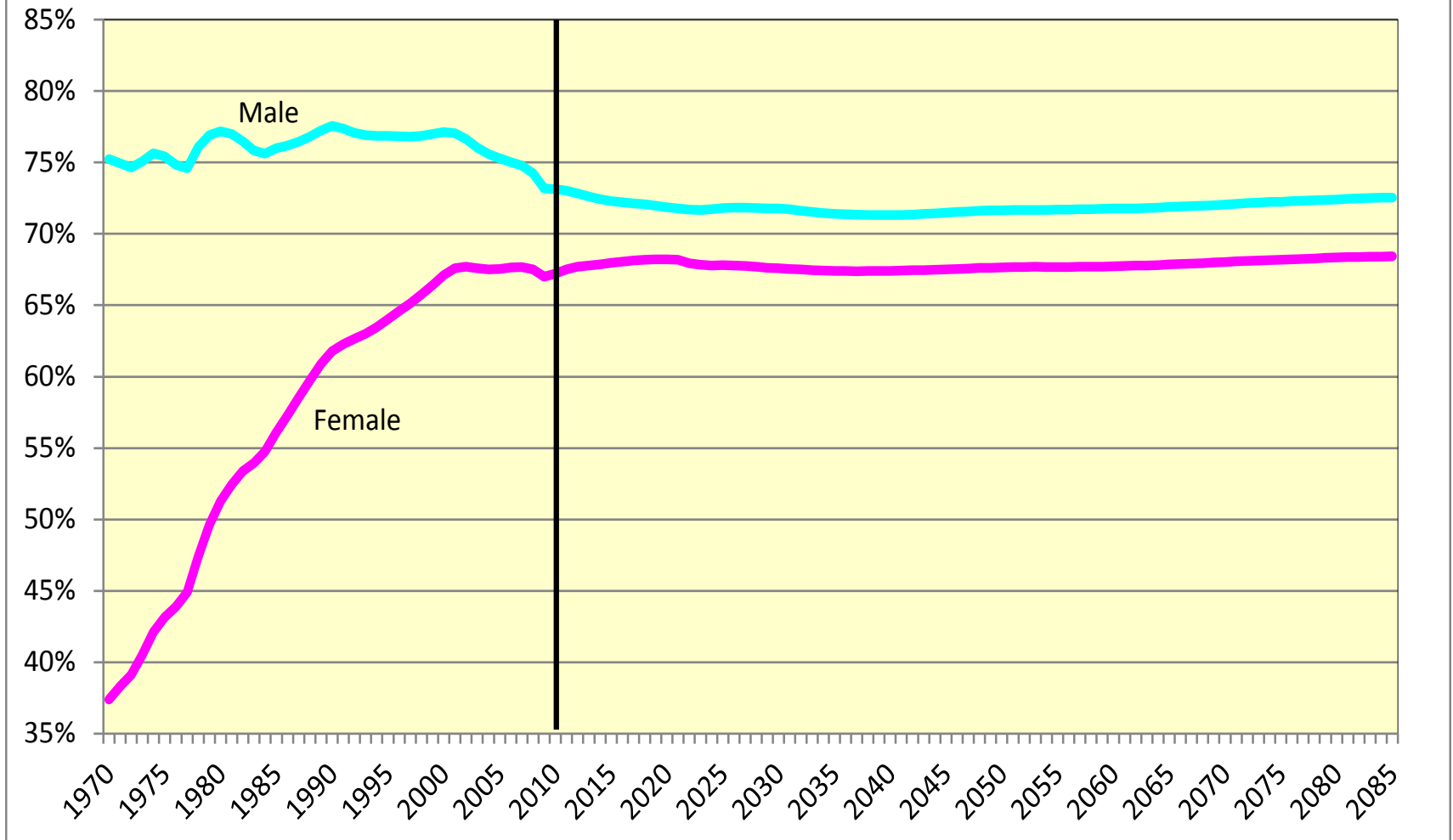


The Normal Retirement Age increased from 65 to 66, adding 4% more disabled worker beneficiaries

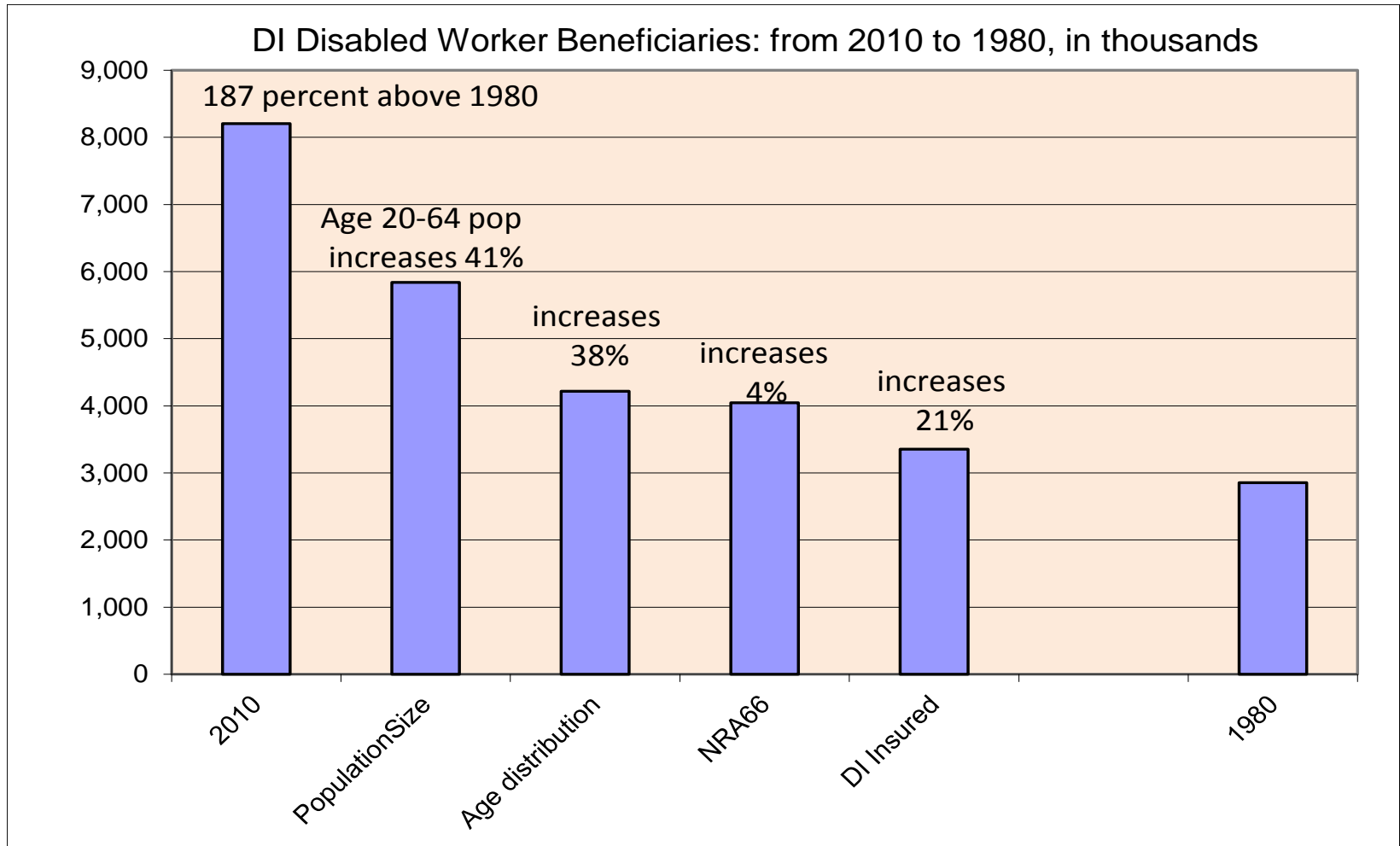


Increased work by women raised insured; men a little lower at younger ages

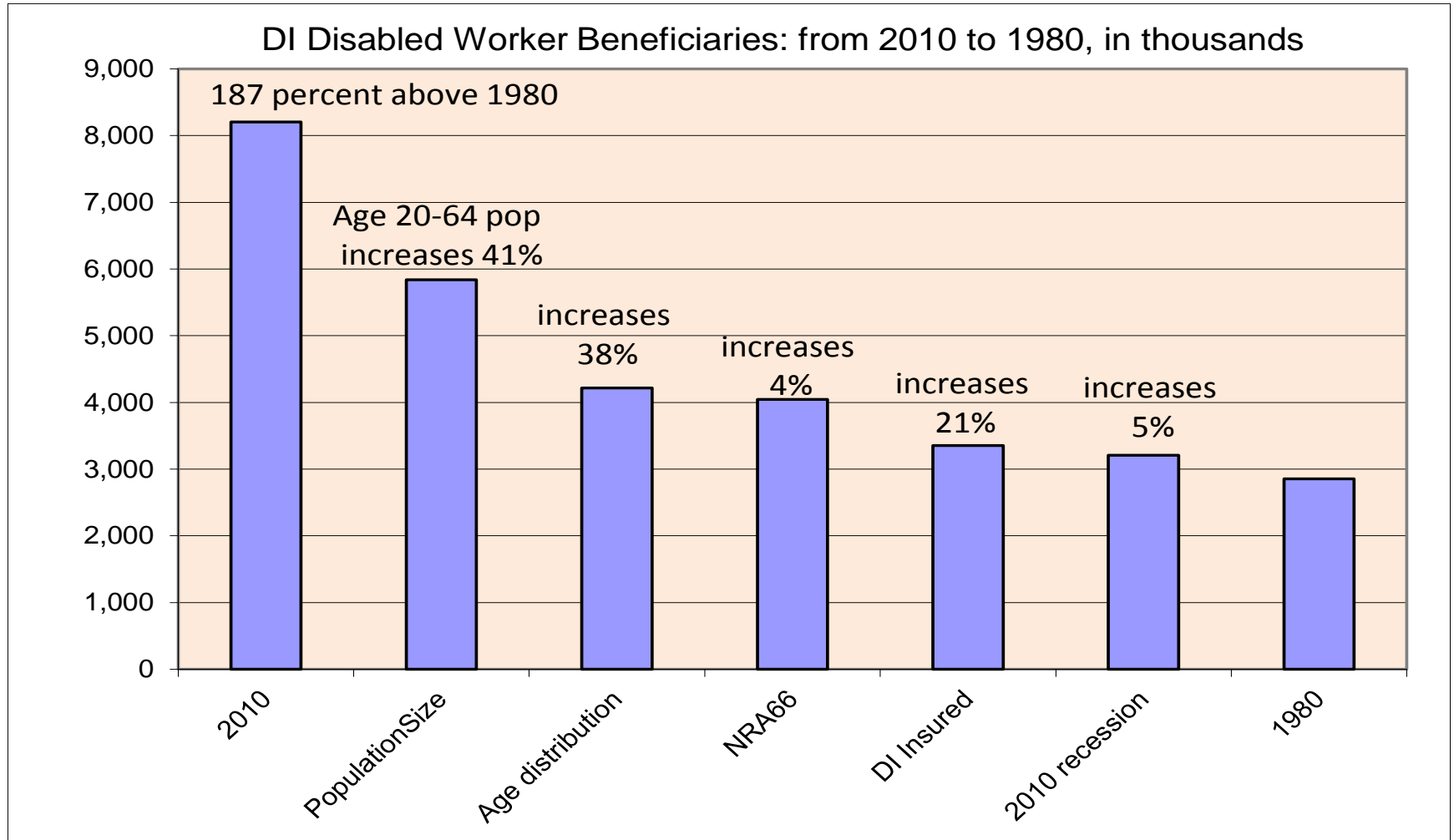
Figure 5: Percent of Population that is Insured for Disability



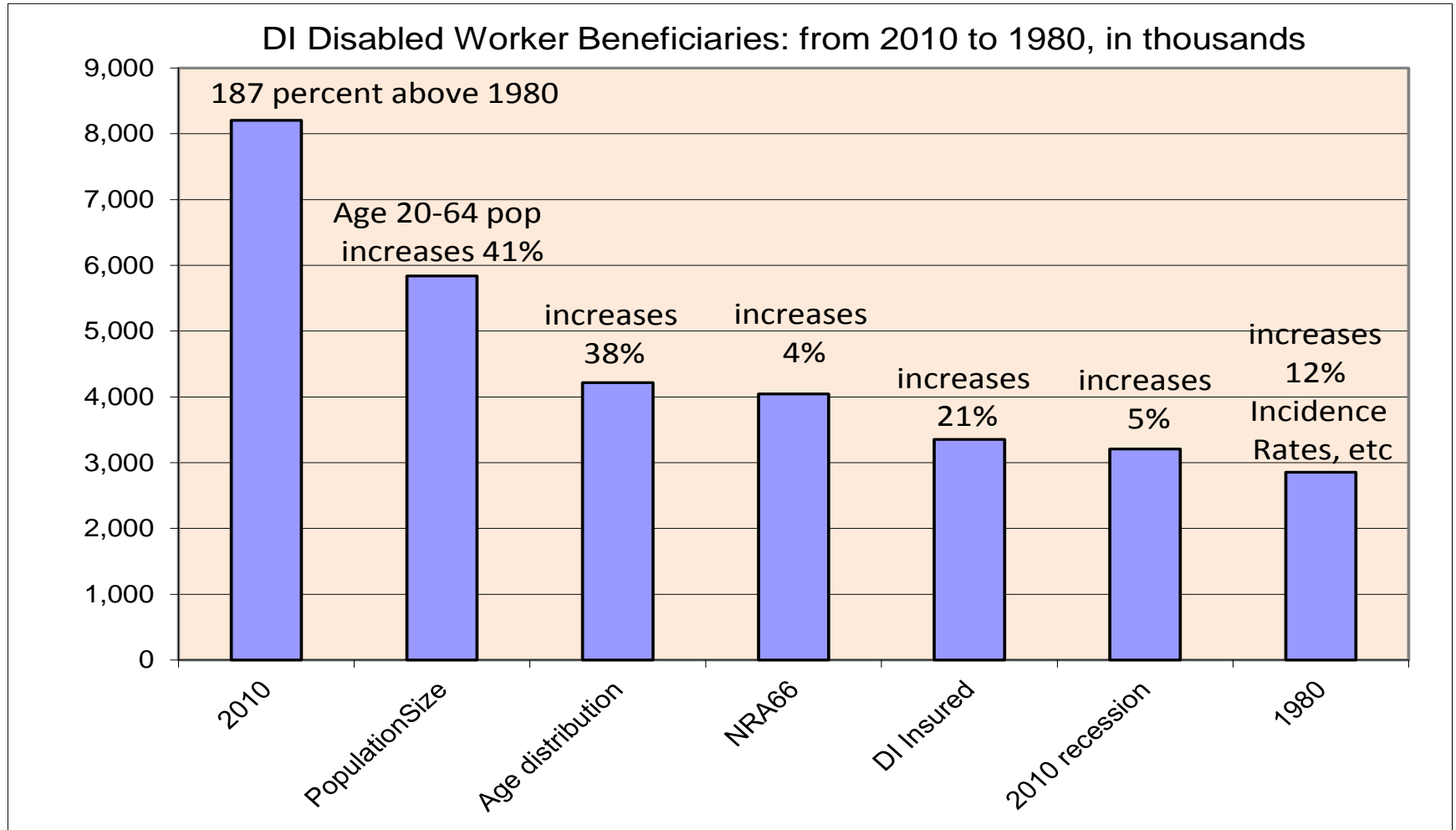
Disability insured rates in the population increased substantially for women, mainly at higher ages; increased beneficiaries by 21%



Recession of 2008-10 increased disabled workers 5% compared to full-employment economy, as had been experienced prior to 1980

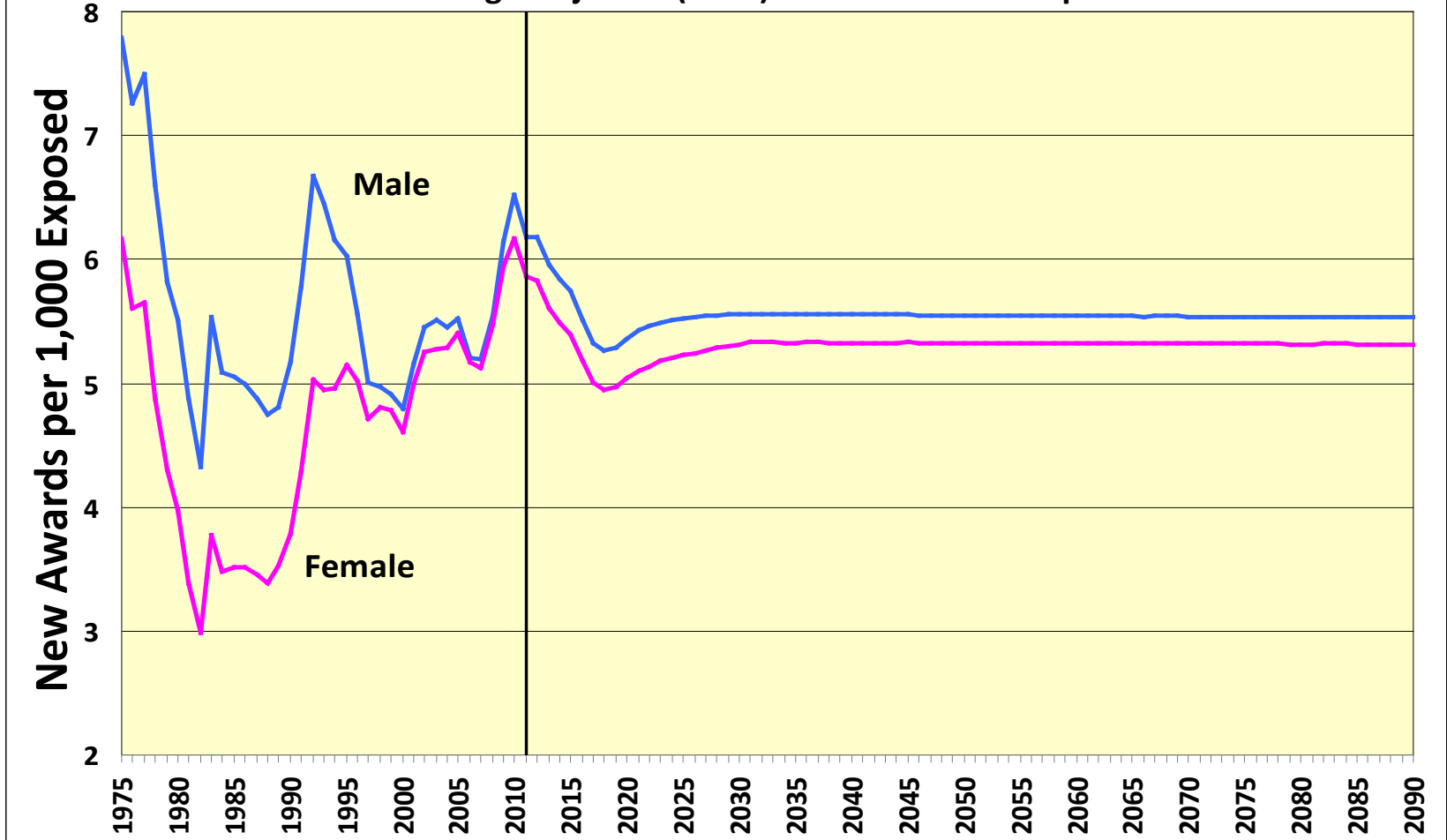


This leaves 12% increase for all other causes; the increase in disability incidence rates for women easily explains this



Incidence rates for women have risen to male level

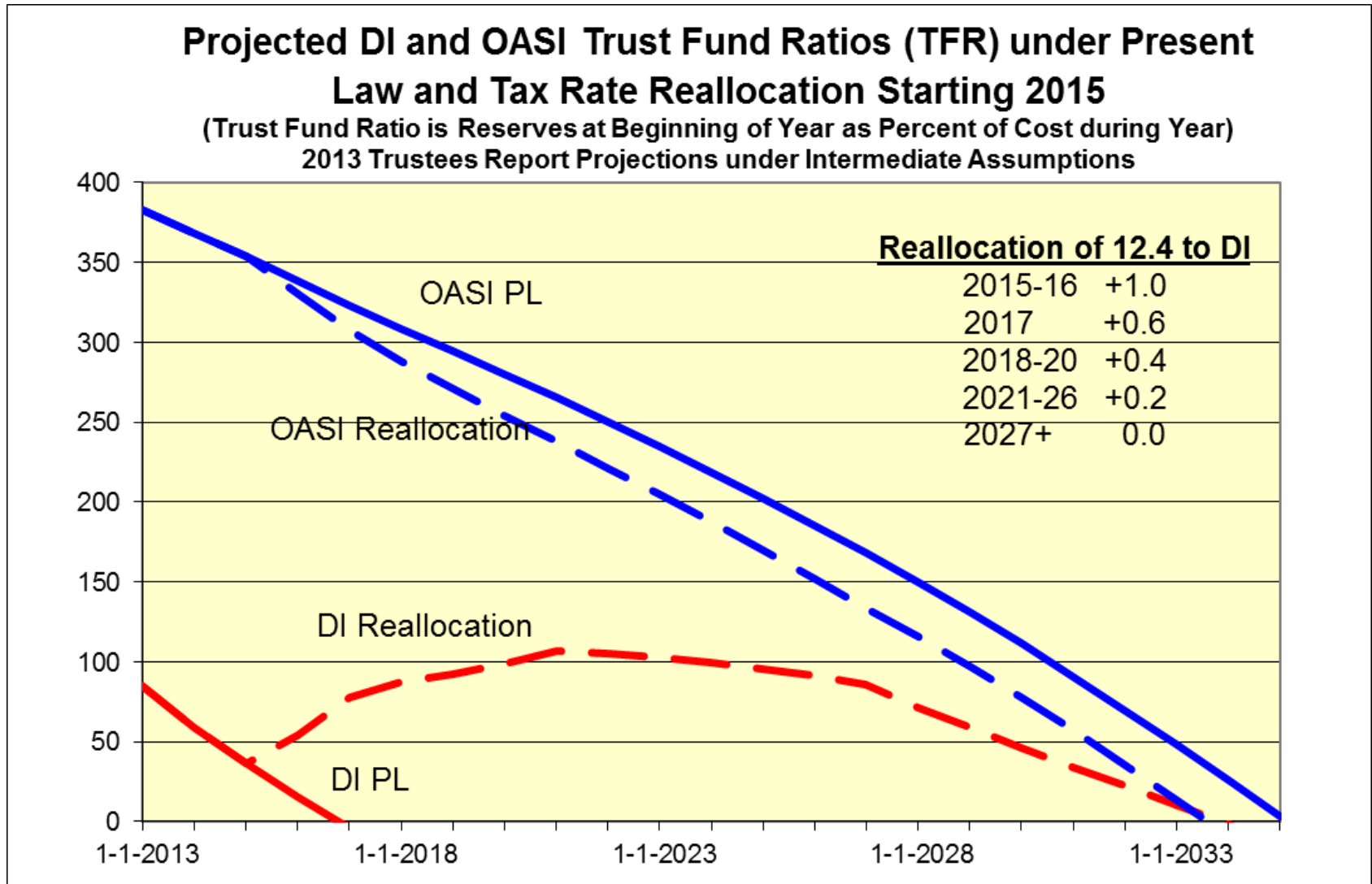
Figure 8: New Disabled Workers per 1,000 Exposed (Incidence)
Age-Adjusted (2000) - 2012 Trustees Report



So where are we on DI?

- Is the sky falling, cost out of control? *No.*
- Or are we following a path foreseen? *Yes.*
- Trust Fund reserves projected to deplete 2016
Need change soon to avoid inability to pay in full & on time
Default: Revenue enough to pay 80% of benefits, so:
 1. *Cut all DI benefits by 20%?*
 2. *Increase DI tax revenue by 25%?*
 3. *Or, reallocate tax rate between OASI and DI?*
- Need further changes for long-range solvency

Potential tax rate reallocation between OASI and DI: Like in 1994—NO change in total taxes



Some changes specific to DI

- Actuarial deficit for DI is 0.32 percent of payroll
 - Changes considered by Senator Coburn in 2011
http://www.ssa.gov/OACT/solvency/TCoburn_20110718.pdf
 - Raise ages for vocational factors by up to 8 years
 - *Lowers* actuarial deficit by 0.04 percent of payroll
 - Eliminate “reconsideration” level of disability appeal
 - *Increases* actuarial deficit by 0.02 percent of payroll
 - Close record without exception after first ALJ decision
 - Must reapply with new evidence
 - *Lowers* actuarial deficit by 0.01 percent of payroll
 - Time limit benefits: MIE 2 years, MIP 3 years, MINE 5 years
 - Reapply; may deny without medical improvement
 - *Lowers* actuarial deficit by 0.10 percent of payroll

Withhold DI when receiving Unemployment Insurance payments

- Currently no DI offset for receiving UI
 - Change considered by Representative Johnson in 2013
http://www.ssa.gov/OACT/solvency/SJohnson_20140107.pdf
 - Treat any month with UI payment as SGA
 - *Lowers* actuarial deficit by 0.01 percent of payroll
 - Change considered by Senator Coburn in 2013
http://www.ssa.gov/OACT/solvency/TCoburn_20140107.pdf
 - Suspend DI benefit for any month with UI payment
 - *Lowers* actuarial deficit by 0.01 percent of payroll
 - *Another possibility—offset DI benefit dollar for dollar for UI*

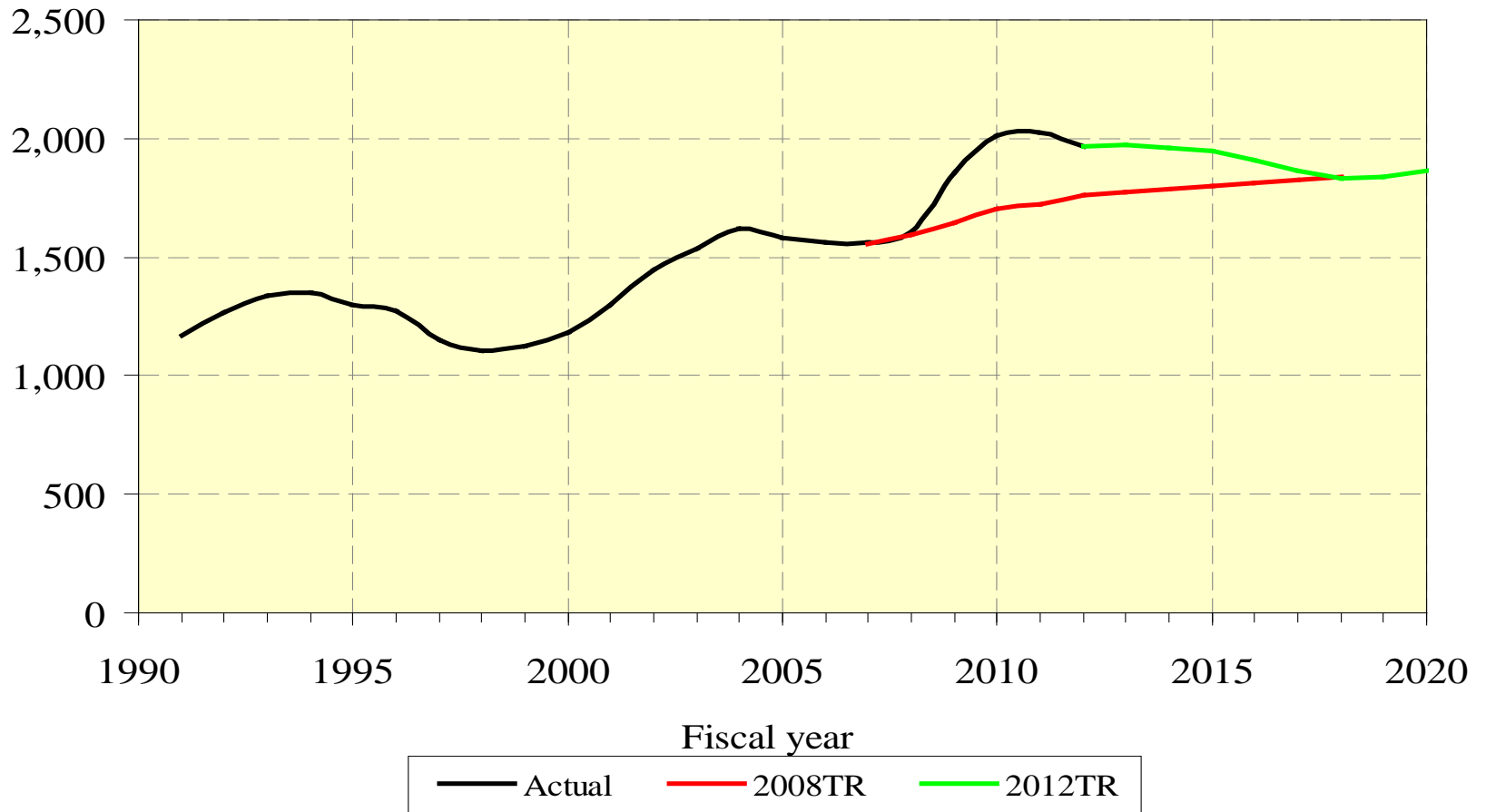
Changes for long-range DI solvency

- Actuarial deficit for DI is 0.32 percent of payroll
 - Need to lower DI cost 20% or increase DI revenue 25%
 - Or, some combination of these
- Will likely be addressed in overall OASDI changes
 - Note that increasing NRA shifts cost to DI
 - May need further tax rate reallocation to DI in final amendments
- For overall OASDI solvency:
 - <http://www.ssa.gov/oact/solvency/provisions/index.html>
 - Increase tax rate or raise/eliminate the taxable maximum
 - Lower the benefit (PIA level)
 - Increase the NRA
 - Expand the tax base
 - Cover all state and local government employees
 - Tax employer-sponsored group health insurance premiums

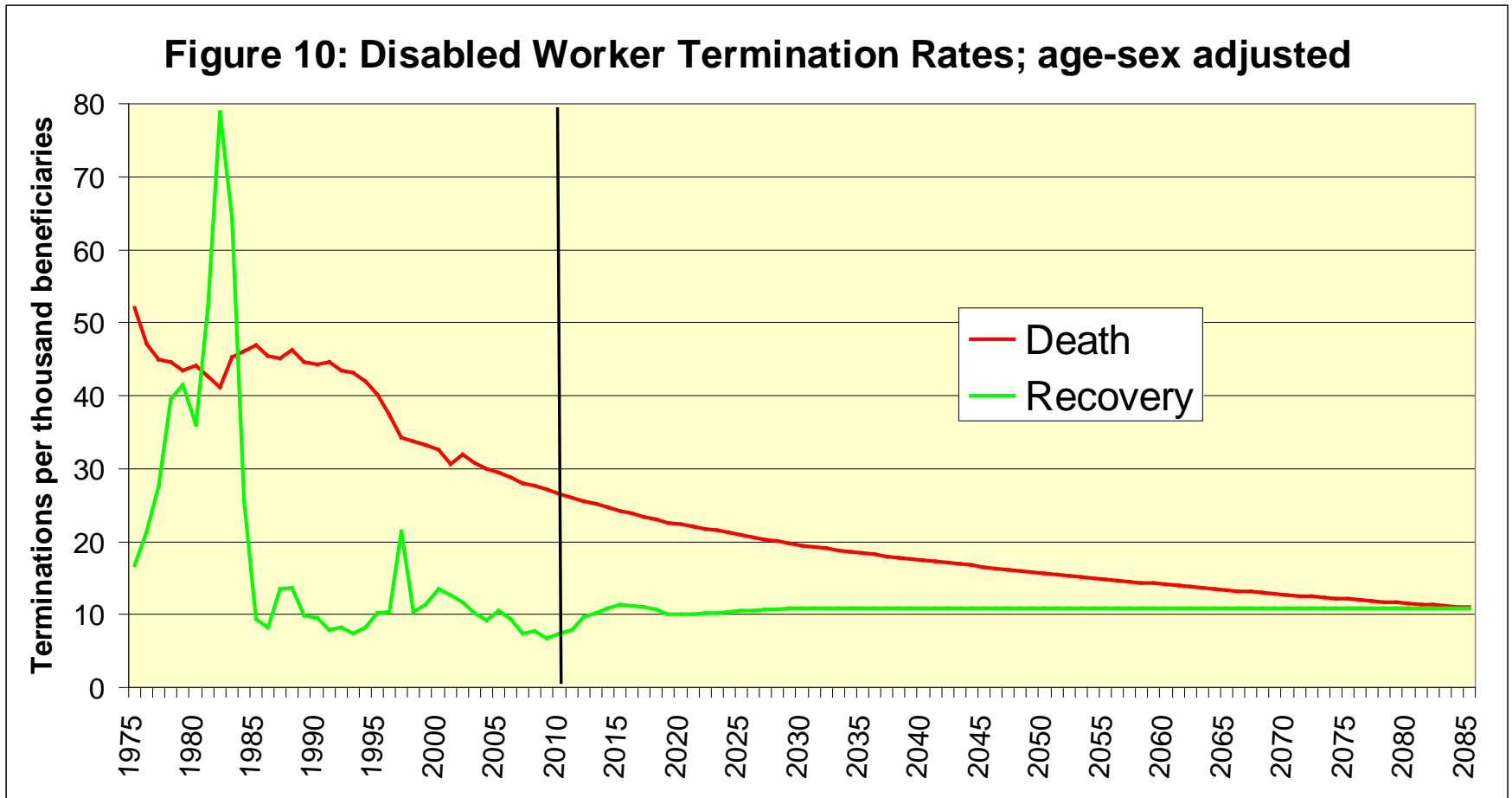
ADDITIONAL MATERIAL FOR DISCUSSION

Recessions matter: applications jumped in recent recession

Figure 7: OASDI DDS Applications: Disabled workers, children and widows (*thousands*)

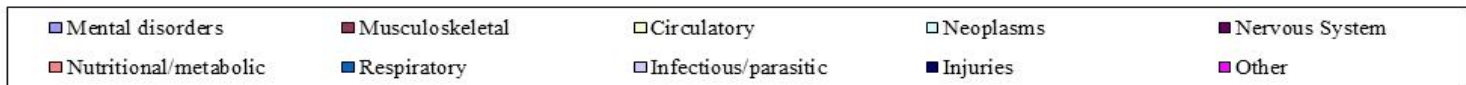
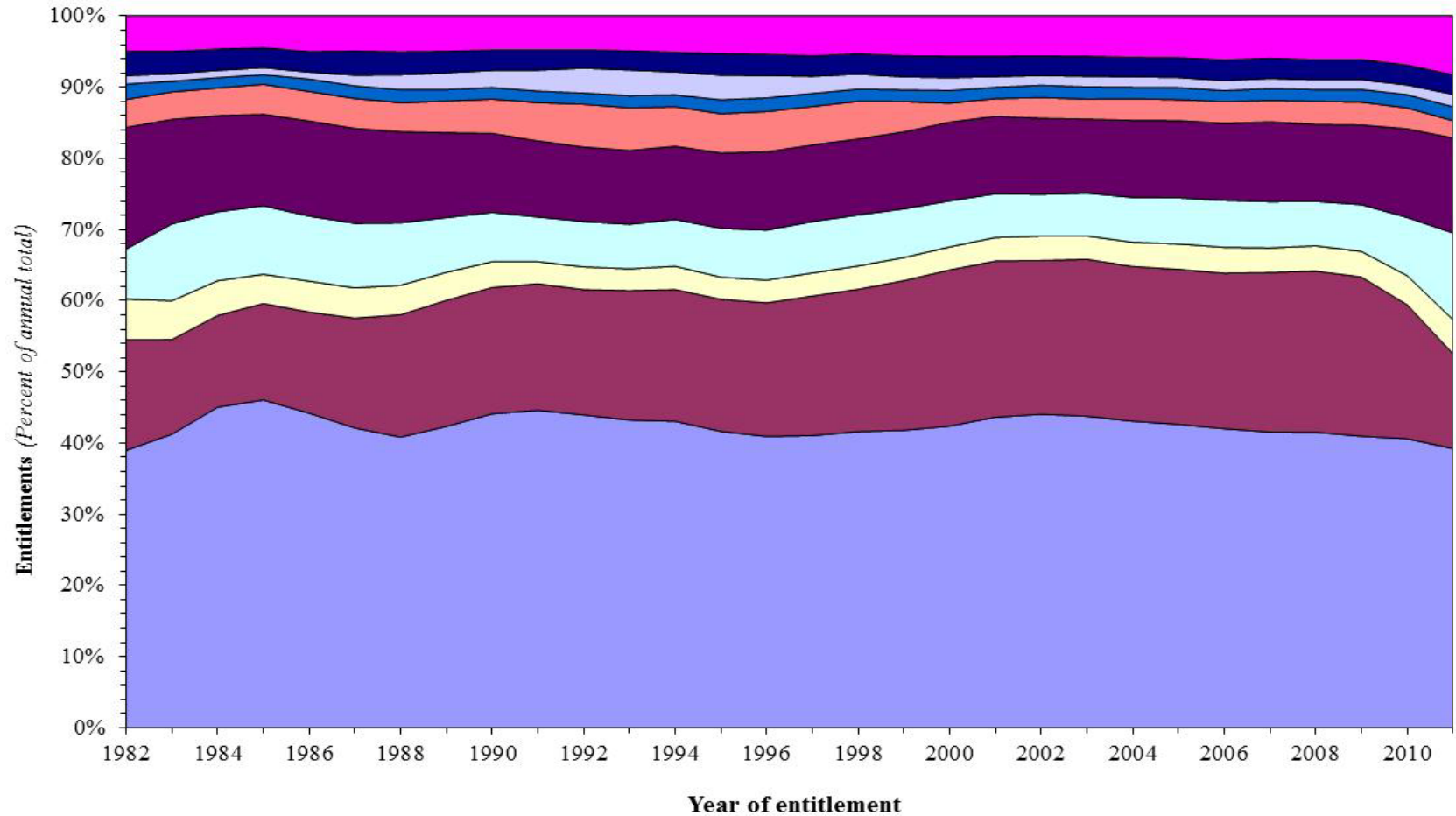


Death rates dropping: recovery rates steady since 1985 (half medical, half work)



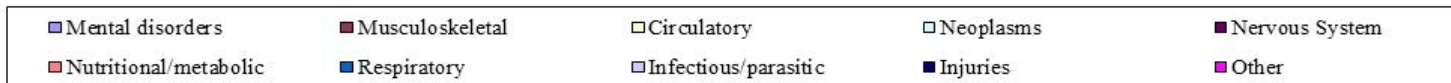
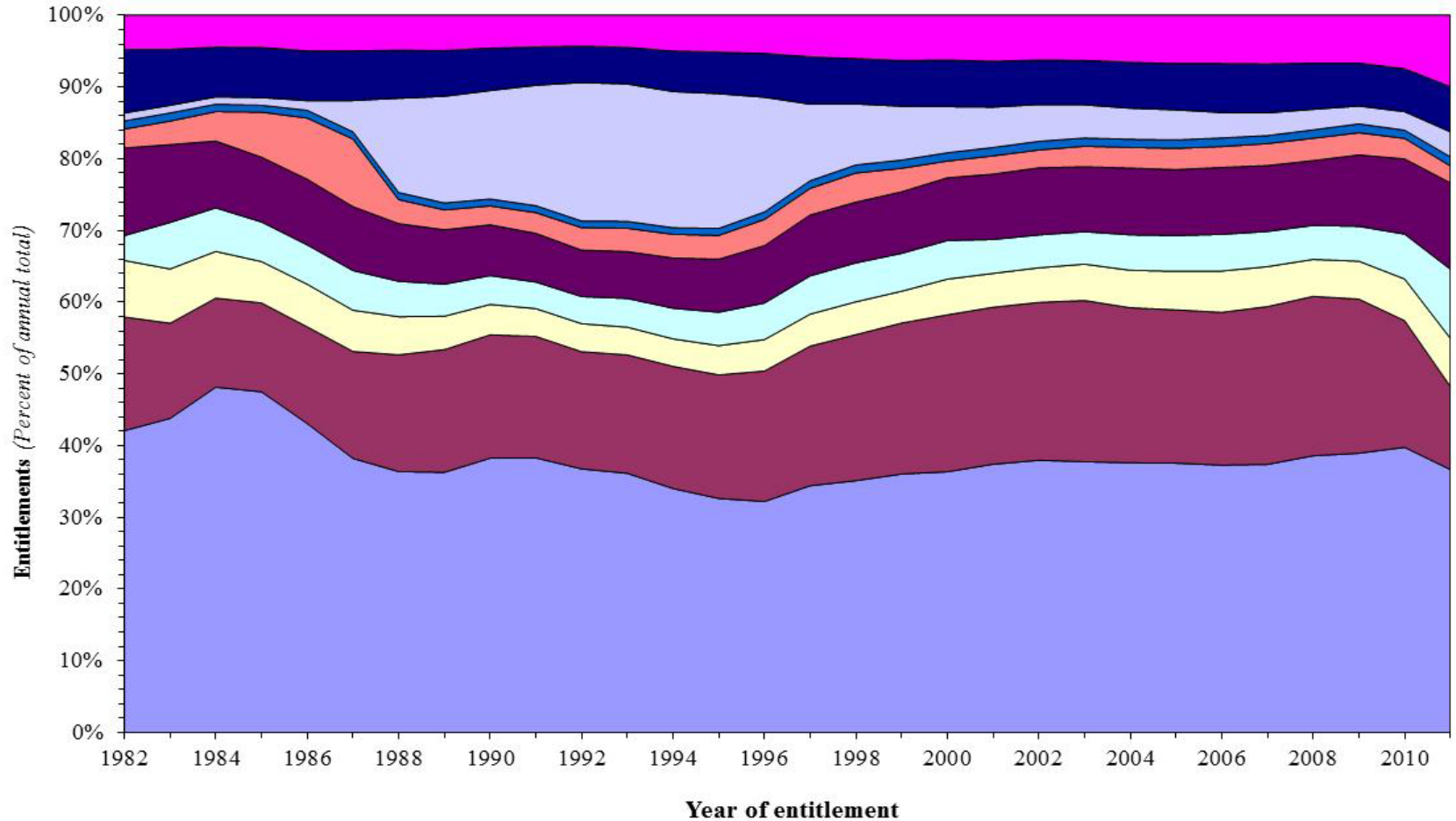
Young females: steady distribution by medical impairment

Figure 12: Female Age 30-39 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



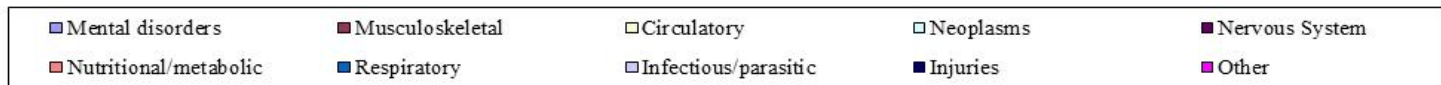
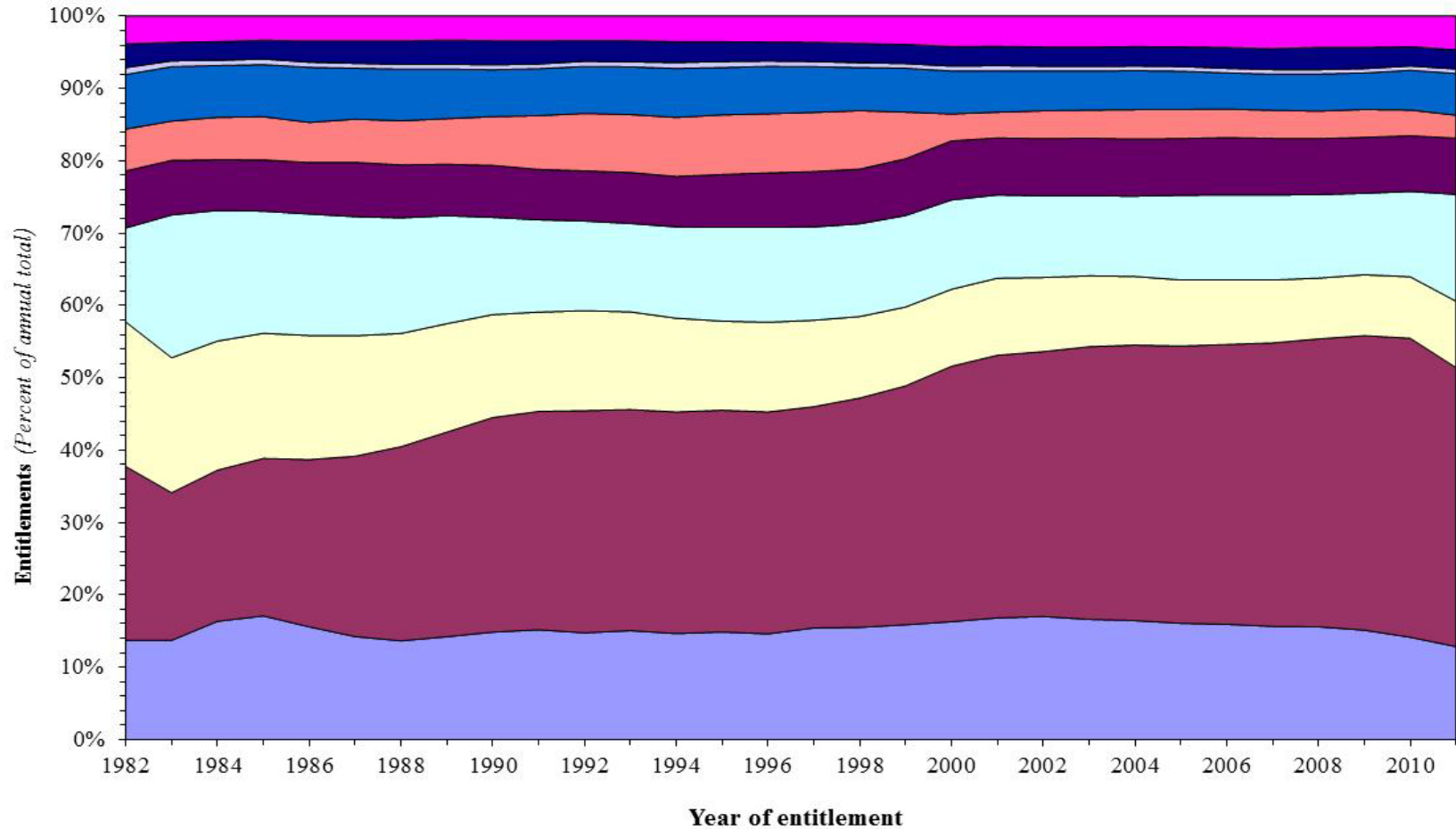
Young males: steady but for HIV bulge in 1986-2000

Figure 13: Male Age 30-39 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



Older females: increased musculoskeletal impairment

Figure 14: Female Age 50-59 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



Older males: increased musculoskeletal impairment; less cardiovascular

Figure 15: Male Age 50-59 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)

