



SOCIAL SECURITY

Office of the Chief Actuary

February 12, 2015

The Honorable Sam Johnson
Chairman, Subcommittee on Social Security
House of Representatives
Washington, D.C. 20515

Dear Mr. Johnson:

I am writing in response to your request for estimates of the financial effects on Social Security of H.R.918 introduced today that would treat any month in which an individual receives unemployment insurance payments as a month in which the individual engages in substantial gainful activity for purposes of Social Security benefit eligibility. The estimates and analysis provided in this letter reflect our careful analysis of this Bill, with invaluable assistance from Amy Shuart and Ted McCann of your staff. The estimates provided here have been greatly enhanced through the availability of summary tabulations left over from two data matches with the National Directory of New Hires (NDNH), so we again thank the Office of Child Support Enforcement at the Department of Health and Human Services for its assistance and cooperation in allowing us to access these data. Mary Kemp and Bert Kestenbaum of the Office of the Chief Actuary have worked diligently and creatively in using these data to model the implications of the Bill.

We estimate that enactment of this Bill would reduce Old Age, Survivors, and Disability Insurance (OASDI) benefit payments by \$5.7 billion in total for years 2015 through 2024 assuming the provisions of the Bill become effective January 1, 2016 for persons filing for disability benefits on or after that date. The provisions of the Bill would not apply for individuals who become entitled for disability benefits based on a claim filed before January 1, 2016. For the long-range actuarial status of the overall OASDI program, we estimate that enactment of the Bill would reduce the actuarial deficit by about 0.01 percent of taxable payroll. All estimates are based on the intermediate assumptions of the 2014 Trustees Report.

For persons who file for Social Security disability on or after the implementation date, this Bill would prevent any month in which an unemployment insurance (UI) payment is received from counting toward the 5-month waiting period. Generally, the onset of disability would not be deemed to occur until after UI payments cease, regardless of medical condition or actual earnings. Where UI payments commence after the Social Security benefit award and payment of disability benefits (for those who had applied on or after January 1, 2016), any month of UI receipt would be deemed to be either a month of “services” during the Trial Work Period or a month of substantial gainful activity after exhaustion of the Trial Work Period.

Because UI payments are often less for a month than disability benefits, we estimate that some individuals will forgo potential UI payments in order to maintain receipt of disability benefits. Based on our modeling, we estimate that national UI payments would be reduced in years 2015 through 2024 by a total of \$1.2 billion, assuming implementation of the Bill on January 1, 2016.

The upper panel of the enclosed table provides our estimates of numbers of individuals affected or potentially affected by the Bill, with each estimate expressed as a percent of the number of disabled worker beneficiaries currently entitled under present law. In the first two rows, we provide estimated numbers of individuals who under present law would be in receipt of a UI payment and either in their 5-month waiting period or entitled to disability benefits. In the next two rows, we provide estimated average monthly numbers of individuals forgoing disability benefits or UI payments, assuming enactment of the Bill.

The lower panel of the enclosed table provides our estimates of the cost of the DI program under present law and of the change in outlays for OASDI and UI benefits for years 2015 through 2024 assuming enactment of the Bill with implementation on January 1, 2016.

Due to the nature of the data we were able to receive from HHS and the limited time period that these data cover, there is a substantial degree of uncertainty associated with these estimates. In particular, the estimates are sensitive to the assumed future rates of unemployment, to our estimates of the numbers of individuals starting UI payments, and to the duration of UI receipt.

We hope these estimates will be helpful. Please let me know if we may provide further assistance.

Sincerely,



Stephen C. Goss
Chief Actuary

Enclosure

Estimated Change in Old-Age, Survivors, and Disability Insurance and Unemployment Insurance Cost Under H.R. 918
Effective January 1, 2016, for persons who file for disability after this date, receipt of UI constitutes TWP “services” and SGA

	<i>Calendar Year</i>										2015-24
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	
	<i>Average Monthly Number as Percent of Disabled Workers Currently Entitled</i>										
Present Law UI in 5-month Waiting Period	0.28%	0.28%	0.27%	0.27%	0.26%	0.26%	0.25%	0.25%	0.25%	0.25%	
Present Law Disability Entitled and UI	0.34%	0.33%	0.32%	0.32%	0.31%	0.31%	0.30%	0.30%	0.30%	0.30%	
Forgo disability benefits under proposal	0.00%	0.07%	0.25%	0.40%	0.41%	0.40%	0.40%	0.40%	0.40%	0.40%	
Forgo UI under proposal	0.00%	0.08%	0.09%	0.10%	0.11%	0.11%	0.11%	0.12%	0.12%	0.13%	
	<i>Billions of Current Dollars</i>										
Present Law DI Benefit Cost	\$147.3	\$152.1	\$157.3	\$162.9	\$169.2	\$175.9	\$184.5	\$193.4	\$202.5	\$212.3	\$1,757.4
Change in OASDI Cost	\$0.0	-\$0.1	-\$0.4	-\$0.7	-\$0.7	-\$0.7	-\$0.7	-\$0.8	-\$0.8	-\$0.9	-\$5.7
Change in UI Cost	\$0.0	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.1	-\$0.2	-\$0.2	-\$0.2	-\$1.2

Notes: Reduction in OASDI benefits would result in a small reduction in taxes paid on benefits. Nearly all the reduction in benefits is realized in the DI trust fund, but a small number of the affected disability beneficiaries are paid from the OASI trust fund.

Based on Intermediate Assumptions of the 2014 Trustees Report

Office of the Chief Actuary, Social Security Administration
 February 12, 2015