



SOCIAL SECURITY

MEMORANDUM

Date: April 16, 2021

Refer To: TCA

To: Andrew Saul
Commissioner

From: Stephen C. Goss, ASA, MAAA /s/
Chief Actuary

Subject: Estimates of Social Security Disability Insurance (SSDI) and Supplemental Security Income (SSI) Program Cost and Distributional Effects of Implementing the New Rule for Disability Determinations and Medical Reviews Involving Musculoskeletal Impairments—**INFORMATION**

This memorandum provides estimates of the program cost effects and expected changes in disability awards for the SSDI and SSI programs from implementing the new rule for evaluating musculoskeletal impairments as of April 2, 2021.

The Office of the Chief Actuary's (OCACT's) primary conclusion for this rule is that the net effect of the new rule will be very small for both SSDI and SSI. There would be a small number of allowances under the prior rule that would be expected to be denials under the new rule, and a small number of denials under the prior rule that would be expected to be allowances under the new rule. In addition, we have no evidence to indicate that the changes in determinations based on the new rule will differ in a significant way by age, sex, or race/ethnicity.

To assist in estimating the effects of the final rule, SSA conducted a case study in 2017 covering approximately 1,400 initial DDS-level decisions made in 2015. In comparing determinations of these sample cases using the prior criteria and new criteria, a small number of determinations were expected to change from allowance to denial under the new rule, primarily because their case files do not contain all of the medical evidence required under the new rule.

On additional review of the cases with SSA staff most familiar with the disability adjudication process, it was determined that a small shift from current denials to allowances would be expected based on additional evidence required under the new rule, that would result in an allowance where a denial was determined under current rules without the additional evidence.

Using these expectations, OCACT estimated that for SSI, there would be a small net annual increase in SSI awards of roughly 180 due to the new rule. For SSDI, there would be a very small net annual reduction in disability awards of roughly 260 due to the new rule. Implementation of this final rule was estimated to result in a net increase in Federal SSI payments of \$67 million over fiscal years 2021-2030, and a net reduction in scheduled SSDI benefits of \$263 million over the same period, assuming implementation in January 2021.

It is important to note that with the roughly offsetting estimated effects of changes from allowance to denial and from denial to allowance, the true net effect for either program, SSDI or SSI, could potentially be either a small net increase in program cost or a small net decrease in program cost.

We have estimated the expected average annual number of disability determinations that would be changed by implementation of the new rule over the period 2022 through 2031, presented in the table below. These estimates were developed on the basis of the 1,400 cases studied, supplemented by administrative data indicating race and ethnicity for the vast majority of these cases who have a primary impairment indicated as musculoskeletal. The estimated changes are expressed as increases or decreases in the number of disability awards relative to our baseline projections under the old rule, and as percentage changes in the number of awards for individuals, where their primary impairment is musculoskeletal. As this table indicates, the magnitude of change varies somewhat by age group, but varies relatively little by sex and by race/ethnicity.

Estimated changes in benefit awards, average over fiscal years 2022-31
Final Rule on Revising the Musculoskeletal Listings
By age group, sex, and race/ethnicity
(Numbers in thousands)

Demographic characteristic	Net change in awards				Change in awards from prior rule allowances becoming final rule denials				Change in awards from prior rule denials becoming final rule allowances			
	Number changed		Percentage change		Number changed		Percentage change		Number changed		Percentage change	
	SSDI disabled workers	SSI disabled adults	SSDI disabled workers ^b	SSI disabled adults ^c	SSDI disabled workers	SSI disabled adults	SSDI disabled workers ^b	SSI disabled adults ^c	SSDI disabled workers	SSI disabled adults	SSDI disabled workers ^b	SSI disabled adults ^c
Total:	-0.26	0.17	-0.07%	0.14%	-0.48	-0.10	-0.14%	-0.08%	0.23	0.28	0.06%	0.22%
Age group:^a												
Under 35	-0.02	0.02	-0.3%	0.3%	-0.04	-0.01	-0.5%	-0.2%	0.02	0.03	0.3%	0.5%
35-44	-0.01	0.05	0.0%	0.5%	-0.06	-0.01	-0.3%	-0.1%	0.05	0.06	0.3%	0.7%
45-54	-0.05	0.08	-0.1%	0.2%	-0.13	-0.03	-0.1%	-0.1%	0.08	0.10	0.1%	0.3%
55 or older	-0.18	0.03	-0.1%	0.0%	-0.25	-0.05	-0.1%	-0.1%	0.07	0.08	0.0%	0.1%
Sex:												
Female	-0.06	0.11	0.0%	0.2%	-0.18	-0.04	-0.1%	-0.1%	0.12	0.15	0.1%	0.2%
Male	-0.20	0.07	-0.1%	0.1%	-0.31	-0.06	-0.2%	-0.1%	0.10	0.13	0.1%	0.2%
Race/Ethnicity:												
White	-0.17	0.11	-0.1%	0.2%	-0.30	-0.07	-0.1%	-0.1%	0.14	0.18	0.1%	0.3%
Black	-0.07	0.03	-0.1%	0.1%	-0.13	-0.03	-0.2%	-0.1%	0.05	0.06	0.1%	0.2%
Hispanic	-0.02	0.02	-0.1%	0.1%	-0.04	-0.01	-0.1%	-0.1%	0.02	0.03	0.1%	0.2%
All other	0.00	0.01	0.0%	0.2%	-0.01	0.00	-0.1%	-0.1%	0.01	0.01	0.1%	0.3%

^a Represents age at award for the estimated change in awards.

^b Change in disabled worker awards as percent of disabled worker awards with a primary impairment of a musculoskeletal disorder in this category under current policy.

^c Change in SSI disabled adult awards at ages 18-64 as percent of SSI disabled adult awards with a primary impairment of a musculoskeletal disorder in this category under current policy.

- Notes: 1. Estimates are based on the assumptions underlying the President's Fiscal Year 2021 Budget and the results of the 2017 case study.
2. Individuals receiving benefits under both the SSDI and SSI programs are included in the estimates for each program; therefore, the numbers are not additive across programs or demographic categories.
3. Totals may not equal the sum of rounded components.

cc: David Black
Bea Disman
Eric Skidmore
Michael Stephens

Scott Frey
Kilolo Kijakazi
Royce Min
Karen Glenn