



SOCIAL SECURITY

Office of the Chief Actuary

January 7, 2014

The Honorable Tom Coburn
United States Senate
Washington, D.C. 20510

Dear Senator Coburn:

I am writing in response to your request for estimates of the financial effects on Social Security of S. 1099, the “Reducing Overlapping Payments Act”, as introduced on June 6, 2013. This Bill would withhold Social Security Disability Insurance (DI) benefits for any month in which a disabled-worker beneficiary receives unemployment insurance payments. The estimates and analysis provided in this letter reflect our careful analysis of this Bill, with assistance from Sean Casey of your staff. The estimates provided here have been greatly enhanced through the cooperation and assistance from the Office of Child Support Enforcement at the Department of Health and Human Services in allowing us to access certain data in the National Directory of New Hires (NDNH). Mary Kemp and Bert Kestenbaum of the Office of the Chief Actuary have worked diligently and creatively in modeling the implications of the Bill using these data.

We estimate that enactment of this Bill would reduce Disability Insurance (DI) benefit payments by \$2.9 billion in total for years 2014 through 2023, if it were effective for months starting with July 2014. The Bill states that the provisions would be effective for months starting 180 days after enactment. Expected benefit reductions through 2023 would be somewhat lower with enactment and effective date later than assumed for these estimates. 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 2013 Trustees Report.

S. 1099 would result in suspension of benefits on a disabled worker’s entitlement for any month in which the individual received any UI payment. Because UI payments are often less for a month than DI benefits, we estimate that some individuals will forgo potential UI payments in order to maintain receipt of DI benefits. Based on our modeling, we estimate that national UI payments would be reduced in years 2014 through 2023 by a total of \$2.0 billion assuming implementation of the Bill for July 2014 and later. The expected reduction in UI payments would be less over this period assuming implementation starts with a later date.

The upper panel of the enclosed table provides our estimate of the numbers of individuals who would be expected to be in receipt of a UI payment and entitled to DI benefits, under current law, expressed as percent of those entitled to DI disabled worker benefits under current law. We additionally show the estimated average monthly numbers of individuals forgoing DI disabled-

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worker benefits or UI payments, as percent of entitled disabled-worker beneficiaries, assuming enactment of the Bill.

The lower panel of the enclosed table provides our estimates of the cost of the DI program under current law and of the amounts of change in DI benefits and in UI payments for years 2014 through 2023, assuming implementation of the Bill for July 2014 and later.

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 receipt.

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

Sincerely,

A handwritten signature in black ink that reads "Stephen C. Goss". The signature is written in a cursive style with a large initial 'S'.

Stephen C. Goss
Chief Actuary

Enclosure

**Estimated Change in Disability Insurance and Unemployment Insurance Cost Under S. 1099:
After June 30, 2014, Suspend DI Benefit for Any Month in which UI is Received**

Consistent with enactment of the bill by January 1, 2014

	<i>Calendar year</i>										
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-23
	<i>Average Monthly Number as Percent of Disabled Workers Currently Entitled</i>										
Present Law DI Entitled & UI	0.39%	0.39%	0.38%	0.37%	0.37%	0.36%	0.35%	0.35%	0.35%	0.35%	
Forgo DI under proposal	0.06%	0.15%	0.19%	0.19%	0.19%	0.18%	0.18%	0.18%	0.18%	0.18%	
Forgo UI under proposal	0.10%	0.19%	0.19%	0.18%	0.18%	0.18%	0.17%	0.17%	0.17%	0.17%	

	<i>Billions of Current Dollars</i>										
Present Law DI Benefit Cost	\$146.6	\$151.5	\$156.8	\$162.4	\$168.3	\$174.8	\$181.7	\$190.6	\$200.0	\$210.0	\$1,742.7
Change in DI Cost	-\$0.1	-\$0.2	-\$0.3	-\$0.3	-\$0.3	-\$0.3	-\$0.3	-\$0.3	-\$0.4	-\$0.4	-\$2.9
Change in UI Cost	-\$0.1	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$2.0

**Note: Reduction in DI benefits would result in a small reduction in taxes paid on benefits.
Based on Intermediate Assumptions of the 2013 Trustees Report**

Office of the Chief Actuary, Social Security Administration
January 7, 2014