Social Security Benefits America: Disability Insurance Program Briefing

May 7, 2014 3:00 p.m.

Capitol Visitor Center, SVC 203-02

AGENDA

Opening Remarks  Carolyn W. Colvin, Acting Commissioner

*** Invited Guests***

Chairman Tom Harkin – Iowa (Senate Health, Education, Labor & Pensions)

Chairman Ron Wyden – Oregon (Senate Finance Committee)

Ranking Member Orrin Hatch – Utah (Senate Finance Committee)

Rep. Sam Johnson – Texas – 3rd District (House Ways & Means, Social Security Subcommittee – Chairman)


Panel  Stephen C. Goss, Chief Actuary

Marianna LaCanfora, Acting Deputy Commissioner, Office of Retirement and Disability Policy (Moderator)

Jim Borland, Assistant Deputy Commissioner, Office of Disability Adjudication and Review

Theresa Gruber, Assistant Deputy Commissioner, Operations

Frank Cristaudo, Acting Chief Counsel, Boston Region – Office of General Counsel

Questions & Answers  Panel Joined by Scott Frey, Deputy Commissioner, Office of Legislation and Congressional Affairs

Closing Remarks  Carolyn W. Colvin, Acting Commissioner
An Overview of SSA’s Disability Process
Social Security
Disability Insurance: 
Growth, Solvency, Sustainability

Stephen C. Goss, Chief Actuary
Social Security Administration Briefing
May 7, 2014
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 in 2016
2008 recession offset “new economy”; cycles still happen


Reserves as % of Annual Cost

"New Economy" irrational exuberance

2008 Recession back to reality
Recession: Most of the Effect Was from Fewer Workers—Not More Beneficiaries

Changes in Disabled Worker Beneficiaries and in Covered Workers from 2008 TR to 2013 TR

- Increase in Disabled Workers
- Reduction in Covered Workers
Is DI out of control, taking over OASDI?  
(Note 5% increase in DI cost for 2010 due to recession)
Sustainability of DI: Cost as percent of GDP has peaked, but scheduled income is too low

**Note:** Recession raised DI Cost/GDP by 15% for 2010

- Baby Boomers reach ages 25-44 in 1990
- Baby Boomers reach ages 45-64 in 2010
Increase of 187% in DI Beneficiaries from 1980 to 2010 Is Demographic and Women Working
(SSDI similar increase—about 2/3 as many adult disabled under 65)

DI Disabled Worker Beneficiaries: from 2010 to 1980, in thousands

- Age 20-64 pop increases 41%
- DI Insured increases 21%
- 2010 recession increases 5%
- Incidence Rates, etc increases 12%

187 percent above 1980
Remarkable changes in age distribution
Progression of the boomers and drop in birth rates dominate

Figure 2: Age Distribution of the Population Age 25+, 1940 to 2100
(2012TR)
Increased work by women raised insured; men a little lower at younger ages

Figure 5: Percent of Population that is Insured for Disability
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

Projected DI and OASI Trust Fund Ratios (TFR) under Present Law and Tax Rate Reallocation Starting 2015

(Trust Fund Ratio is Reserves at Beginning of Year as Percent of Cost during Year)
2013 Trustees Report Projections under Intermediate Assumptions

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<tr>
<th>Year</th>
<th>Reallocation of 12.4 to DI</th>
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<tr>
<td>2015-16</td>
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An Overview of SSA’s Disability Process
Who benefits from Social Security?

- Retirees & dependents: 64%
- Disabled & dependents (SSI & DI): 25%
- Survivors: 10%
- Aged (SSI): 1%
Who are disability beneficiaries?

56 million Americans live with disabilities

38 million live with severe disabilities

15 million receive Social Security and/or SSI disability benefits

Severe illnesses – advanced cancers, end stage renal failure

Severe physical disabilities – severe cerebral palsy, post-polio syndrome

Mental impairments – significant intellectual disabilities, severe mental illness

Sensory disabilities – deafness, blindness

Source: U.S. Census Bureau, 2010
What are our eligibility guidelines?

- Unable to engage in any substantial gainful activity
- Due to a medical condition (physical or mental)
- Which has lasted or is expected to last at least one year or result in death

AND

- Must have sufficient work history to be eligible for Social Security Disability (SSDI)
  or
- Meet means test for Supplemental Security Income (SSI)

Social Security pays only for total disability – no benefits are paid for short-term or partial disability.
What is our disability process?

SSA follows a **five-step sequential evaluation** process in evaluating claims for disability.

We have **four levels** of administrative review:

- Initial
- Reconsideration
- ALJ Hearing
- Appeals Council

70% of all allowances are made at the initial or reconsideration level.
**Initial**
-Received nearly **3 million** claims last fiscal year via in-person interviews, telephone, internet, and mail.

**Reconsideration**
-Received nearly **785,000** reconsideration requests last fiscal year from claimants in-person, over the telephone, or via surface mail.

**Initial and Reconsideration**
-DDS applies 5-step process of sequential evaluation
-If allowed, electronically sends to FO for payment
-If denied (or partially favorable), notifies claimant of right to reconsideration or hearing.
Hearings and Appeals

- Received nearly **825,000** requests for hearing last fiscal year
- Issued nearly **794,000** policy compliant, legally sufficient decisions last fiscal year
- Received over **172,000** requests for review of hearing denial or partially favorable decisions last fiscal year
- Assists with civil action cases filed in Federal court

From DDS

Hearing Level

Appeals Council

Federal Court
Last year, almost 19,000 claimants appealed their cases to federal court.

SSA cases comprise one of court’s largest workloads.

Court decides whether substantial evidence supports the decision and whether any errors of law were made.

Court can affirm, remand, reverse, or dismiss case.

If case is remanded, claimant’s case reviewed again.

Courts also influence by interpreting the statute and providing guidance on due process and other critical issues.
Two Programs: Benefits are administered under Title II (Social Security Disability Insurance) and Title XVI (Supplemental Security Income) of the Social Security Act.

Social Security pays only for total disability – no benefits paid for partial or short-term disability.

Ongoing focus on service and quality improvements at every step in the process.

To ensure program integrity, we conduct continuing disability reviews on every case at regular intervals to make sure a claimant is still disabled.

The disability programs are essential to individuals with disabilities and their families.