

Increasing Rolls in Disability Insurance: Policy Perspective

27th January, 2011, 9:00-10:00 am

NATIONAL
ACADEMY
OF SOCIAL
INSURANCE

Speakers:

Paul Davies, Social Security Administration, (*moderator*)

Steve Goss, Social Security Administration

Dave Stapleton, *Mathematica Policy Research*

Lisa Ekman, *Health and Disability Advocates*

NASI Roundtable Discussion of Social Security Disability Insurance

Steve Goss, Chief Actuary
Social Security Administration
January 27, 2012

Figure 1: The DI Trust Fund is Declining; 86 Percent Payable in 2018, Declining to 83 Percent Payable by 2085

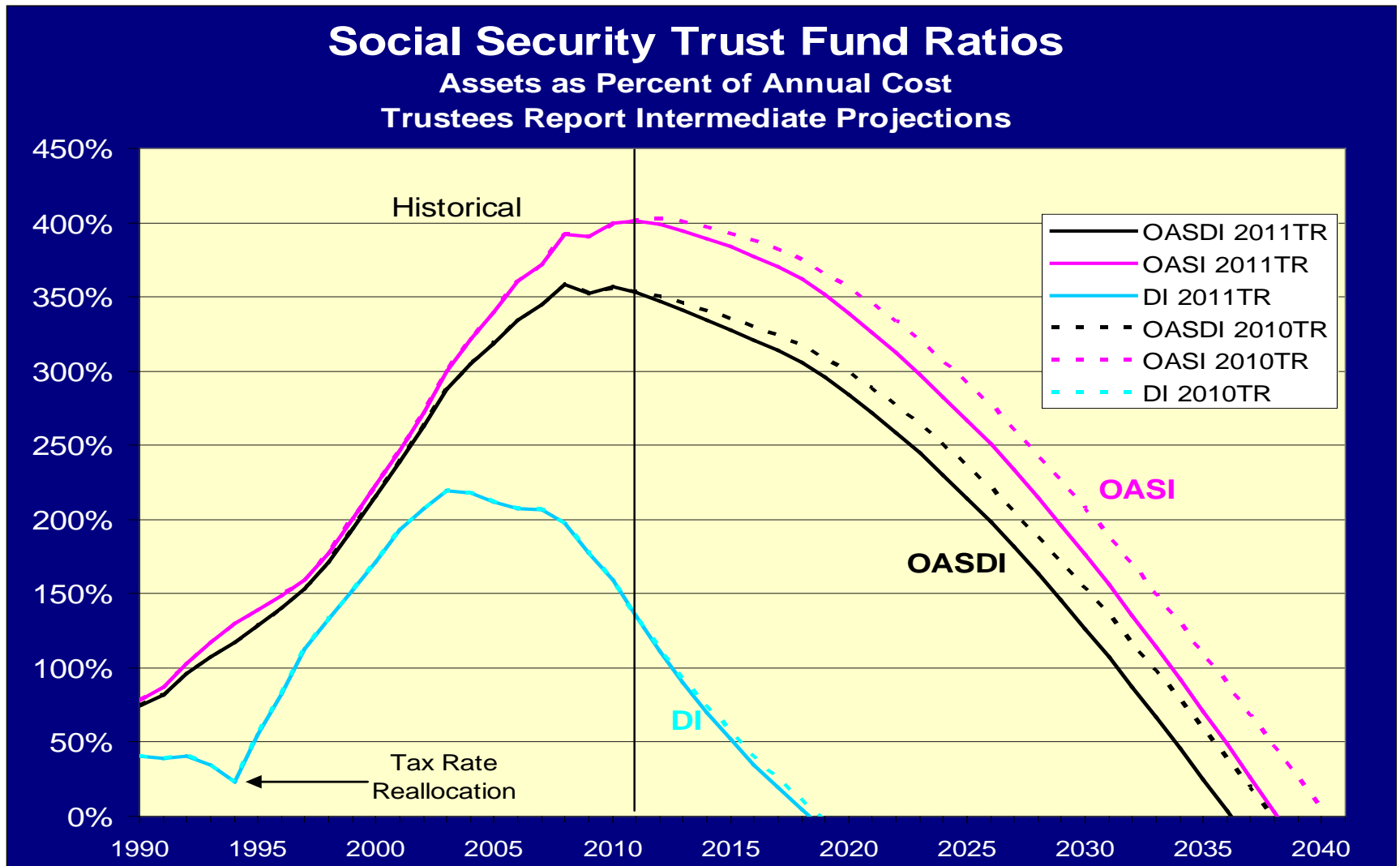


Figure 2: OASDI Cost Will Shift from 4.3 to 6 Percent of GDP by 2030 as the Baby Boomers Retire

OASDI Cost as Percent of GDP 1975-2085 2011 Trustees Report Intermediate Assumptions

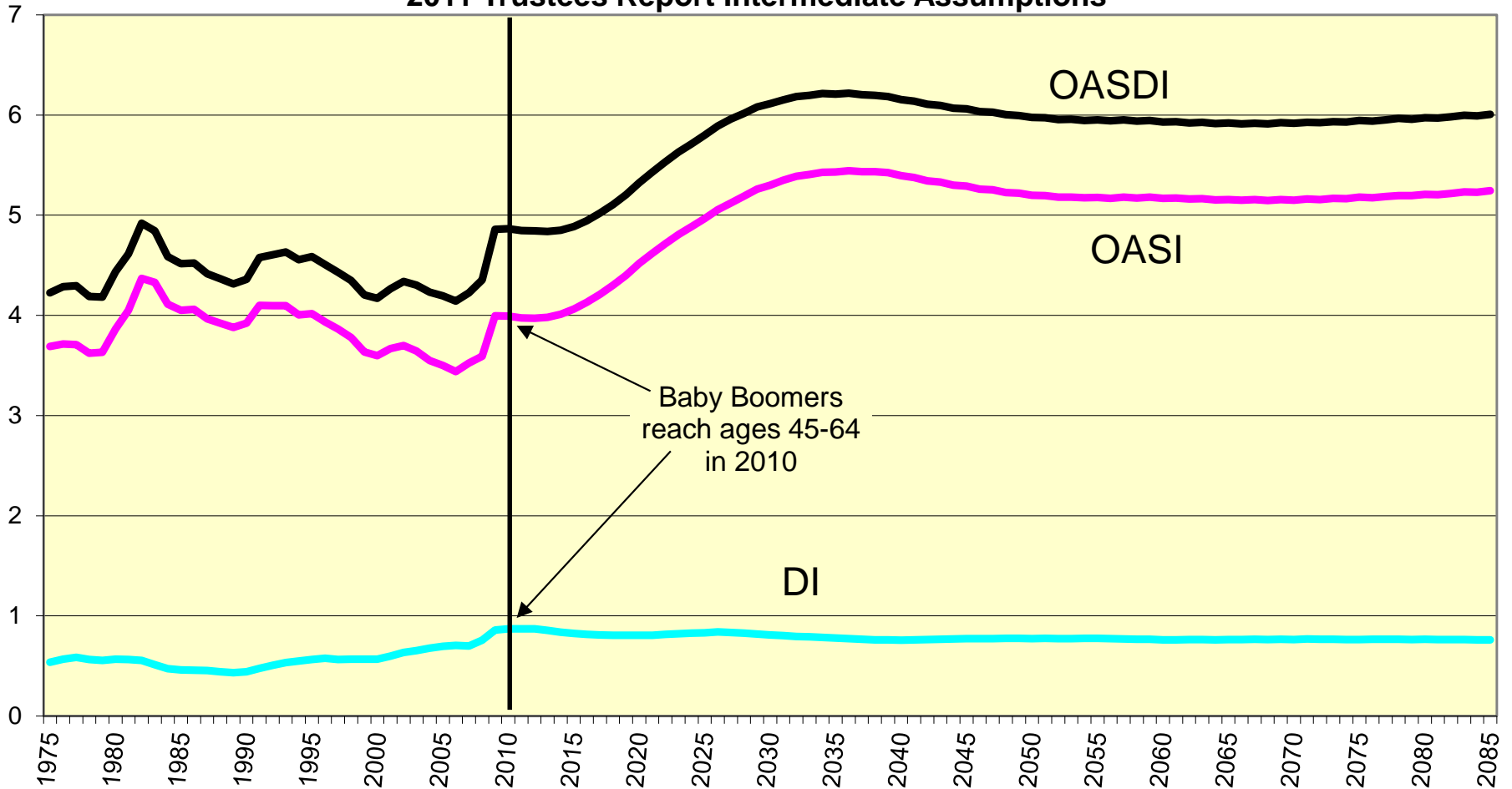


Figure 3: Boomers Have Already Reached Prime Disability Ages, So DI Has Reached Its Peak Cost

DI Cost and Income as Percent of GDP 1975-2085
2011 Trustees Report Intermediate Assumptions

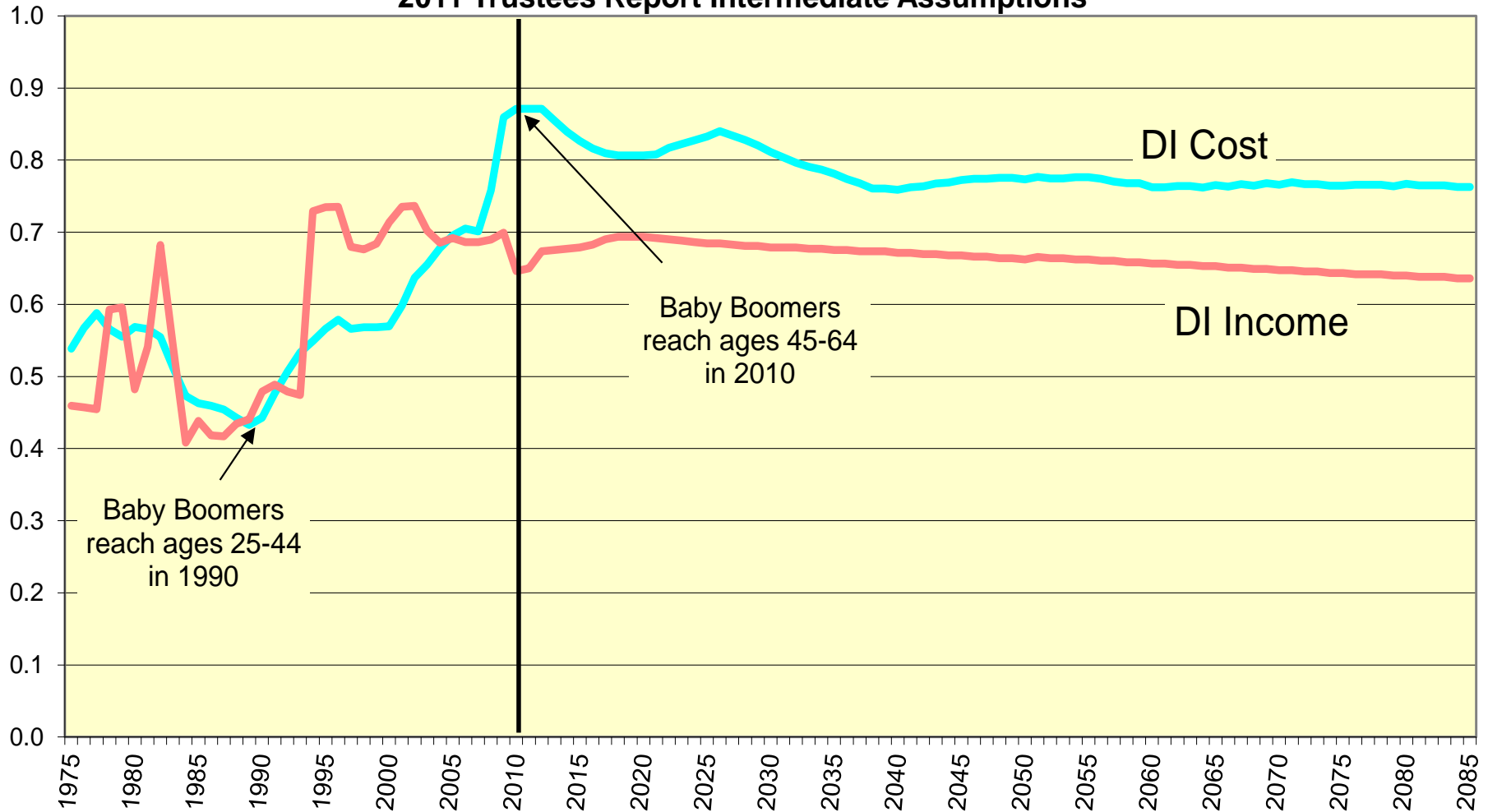


Figure 4: Future Workforce Will Grow as Fast as DI Beneficiaries

OASDI Covered Workers and DI Beneficiaries 1975 to 2085

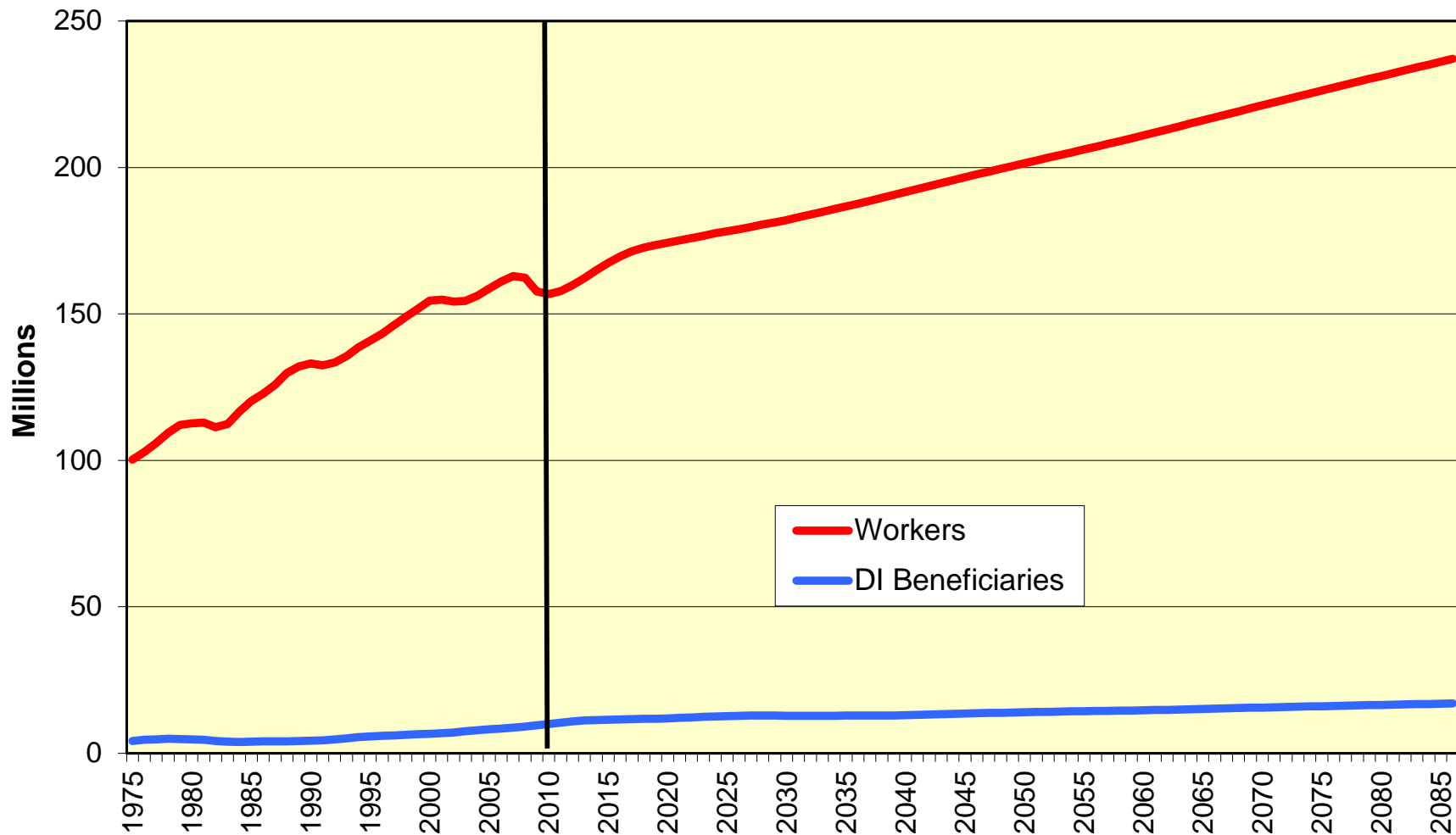


Figure 5: So Number of Workers per Beneficiary Stabilizes

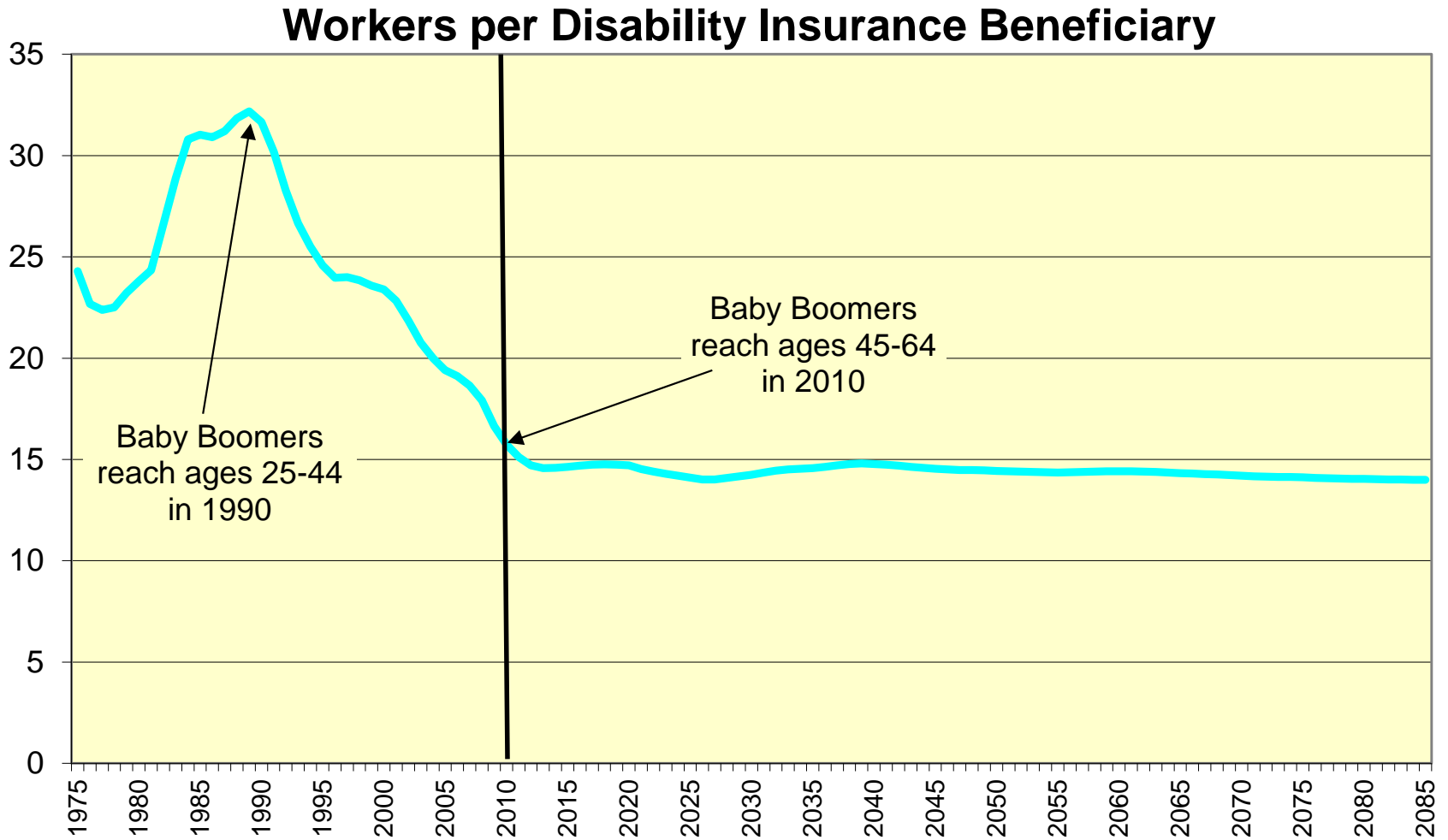


Figure 6: Drivers of Disability Cost #1: Being Insured

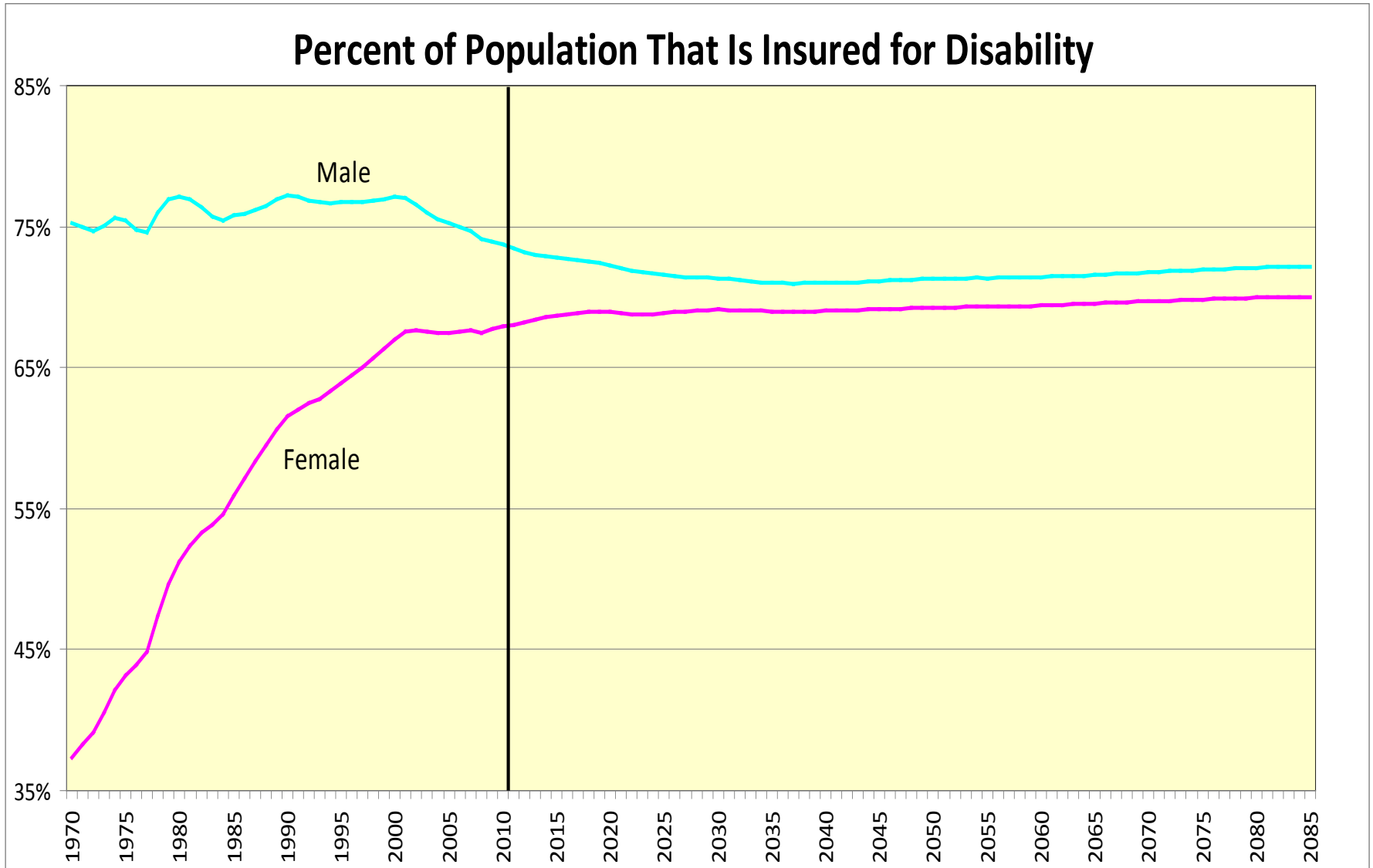


Figure 7: Drivers of Disability Cost #2: Becoming Disabled

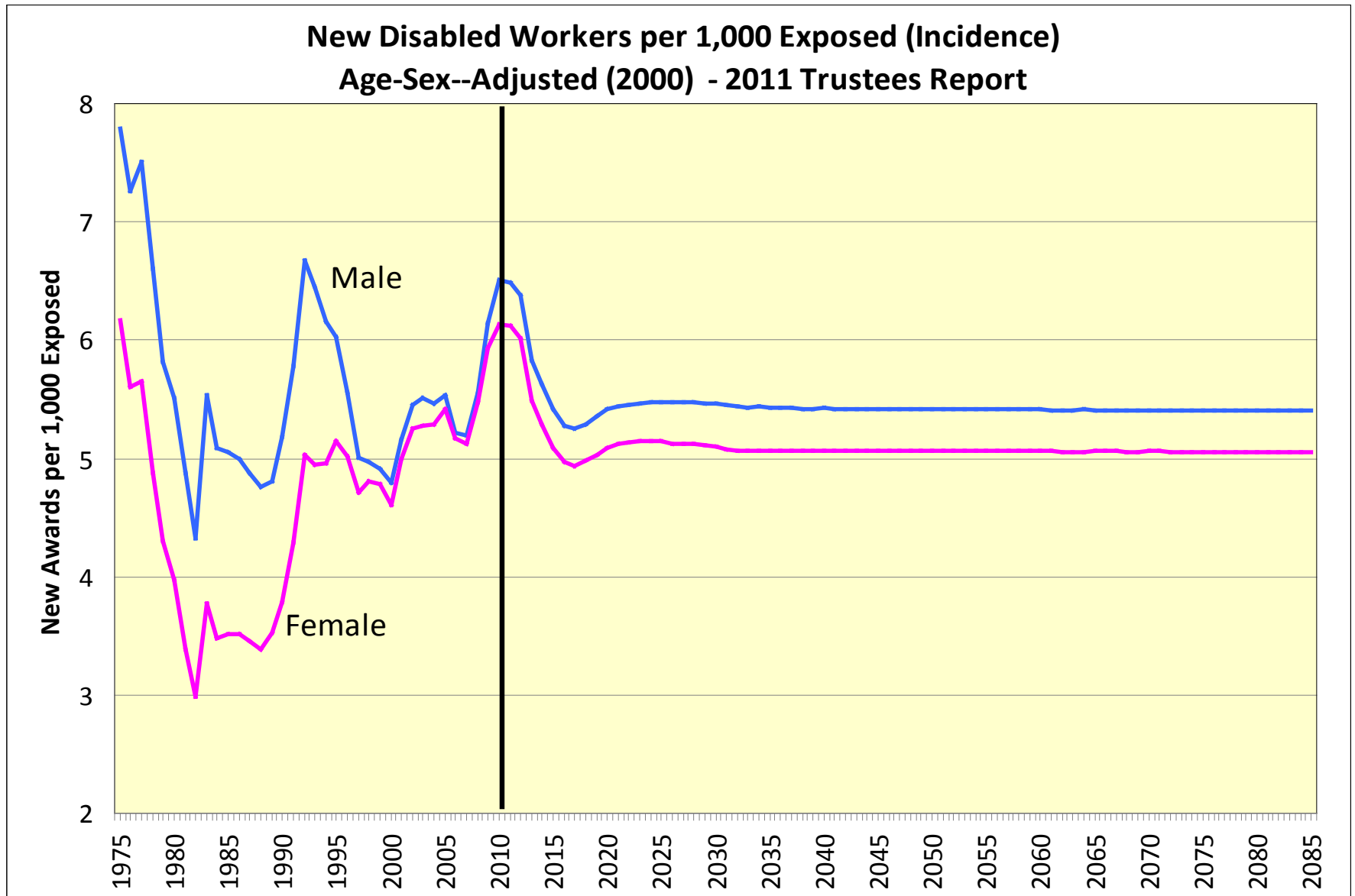


Figure 8: Drivers of Disability Cost #3: Economic Conditions and Policy Changes

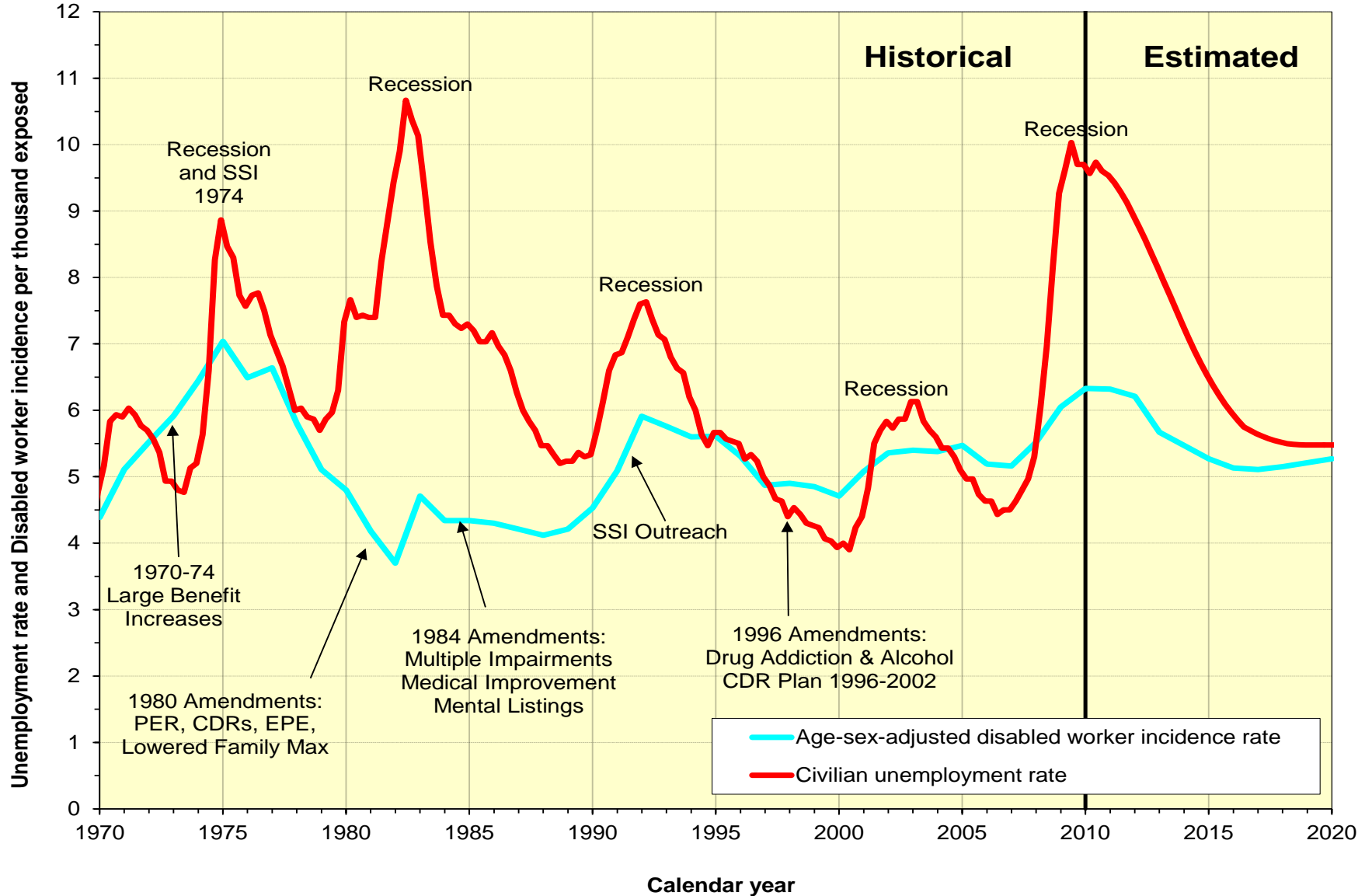


Figure 9: Disability Prevalence Has Been Rising

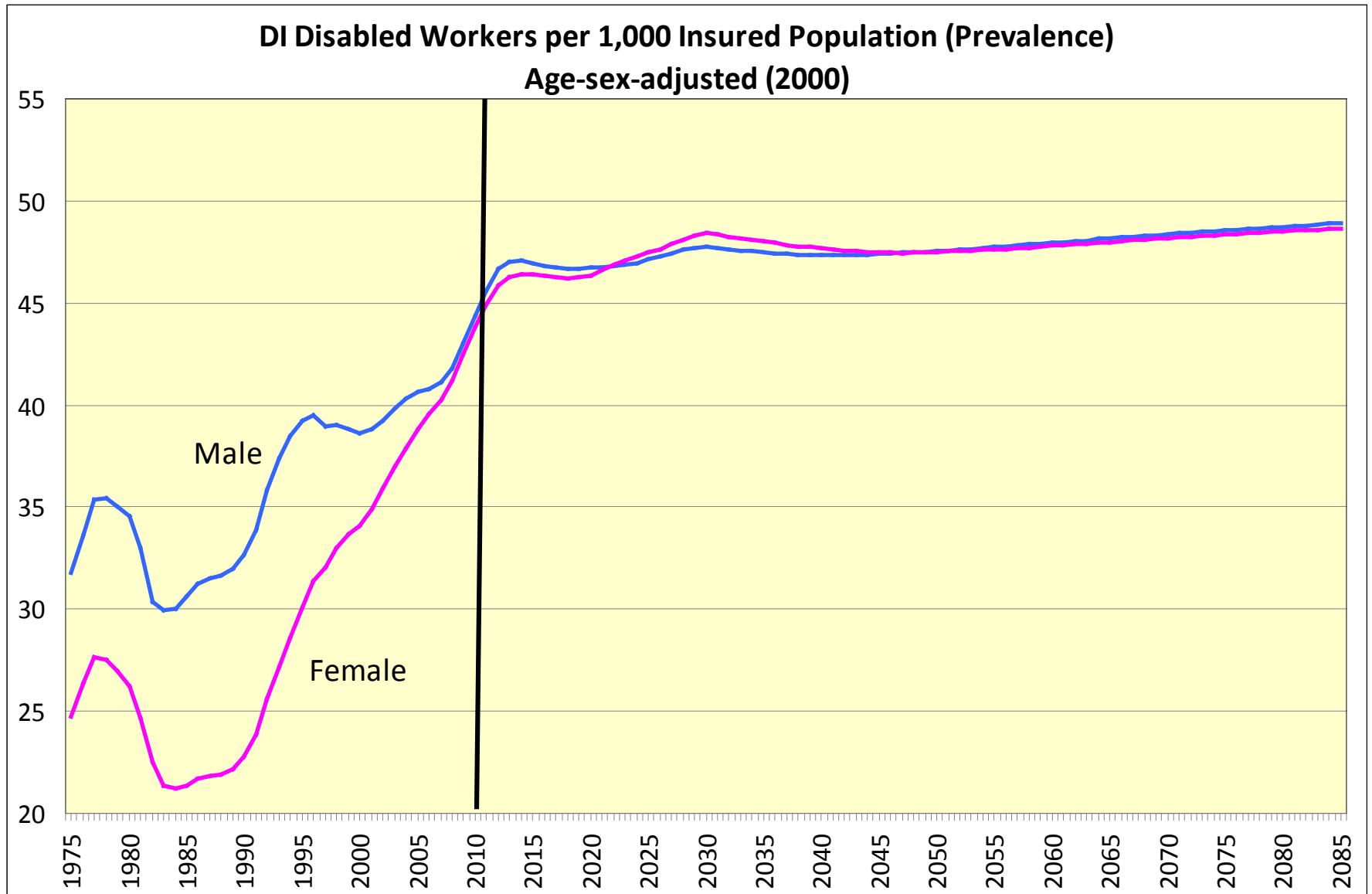
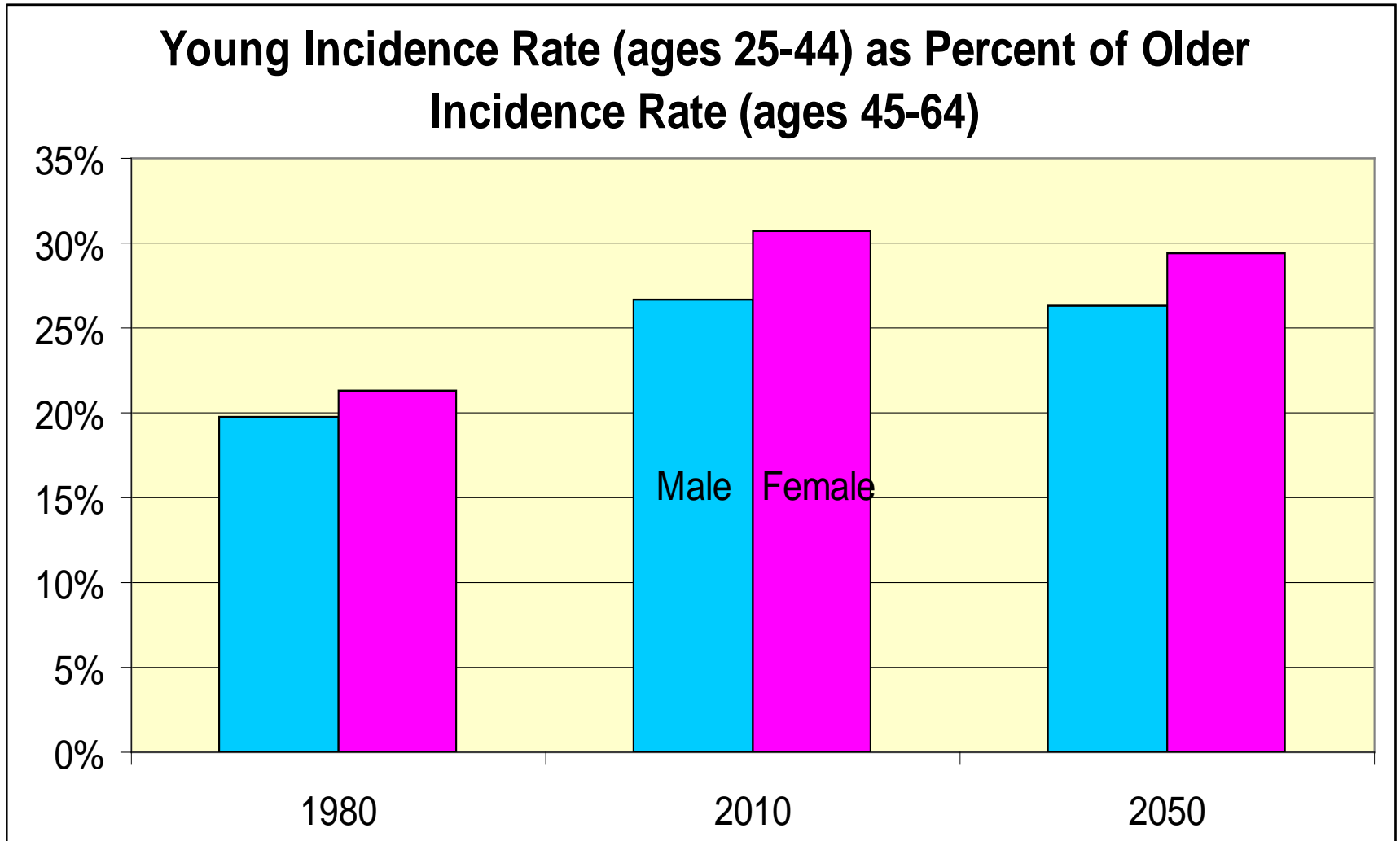


Figure 10: Drivers of Disability Cost #4: Age of Disability

Increase at young ages; remain disabled beneficiaries longer



Additional Information

Figure 11: Who are these additional younger disabled awards?

They are lower earners.

Disabled Worker Benefits as Percent of Average Wage Index 1985 and 2010 (ratio of 25-44 benefit to 45-64 benefit)

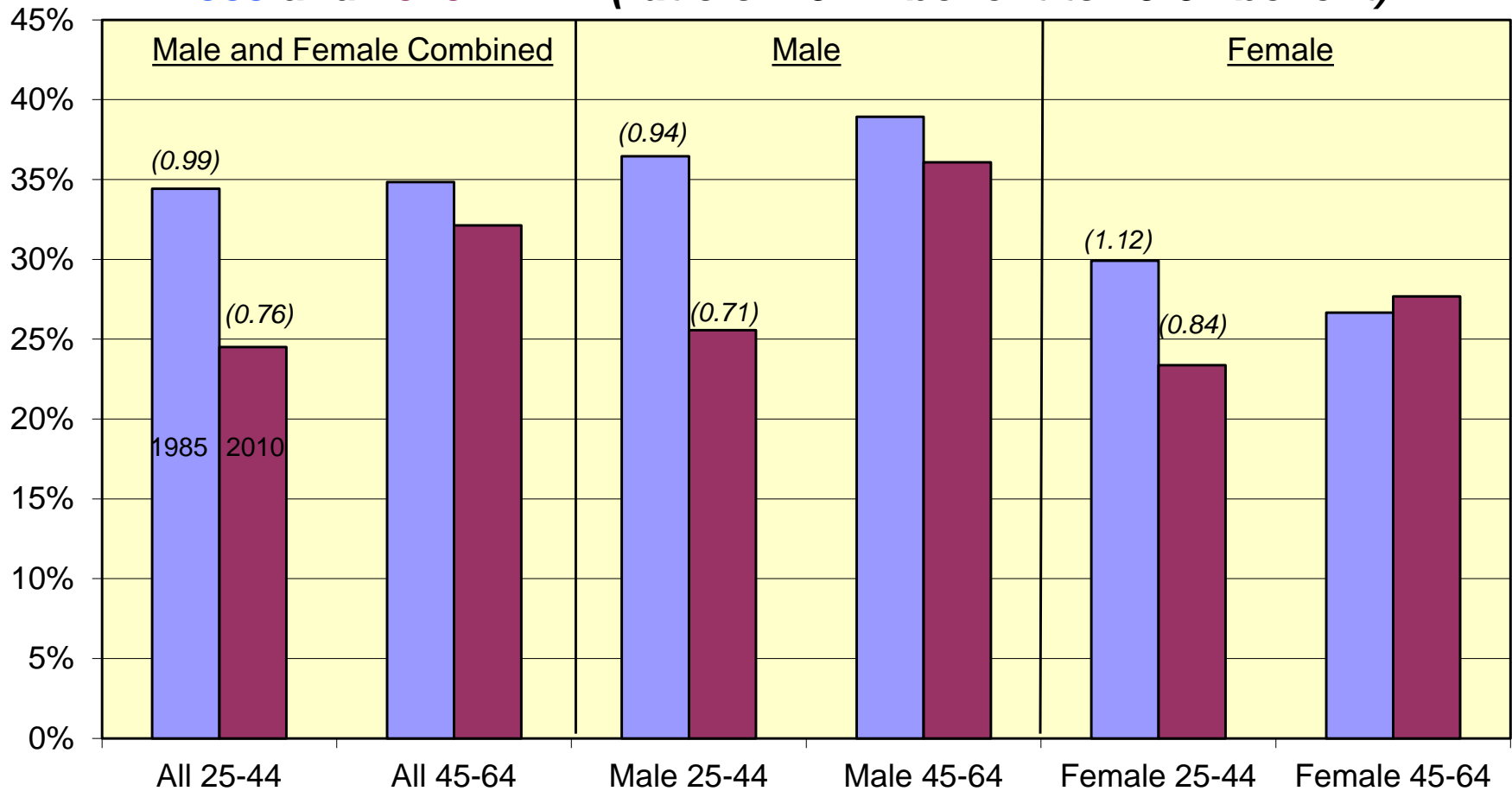


Figure 12: Stable distribution of female disabled worker awards by primary diagnosis code at ages 30-39 (male similar)

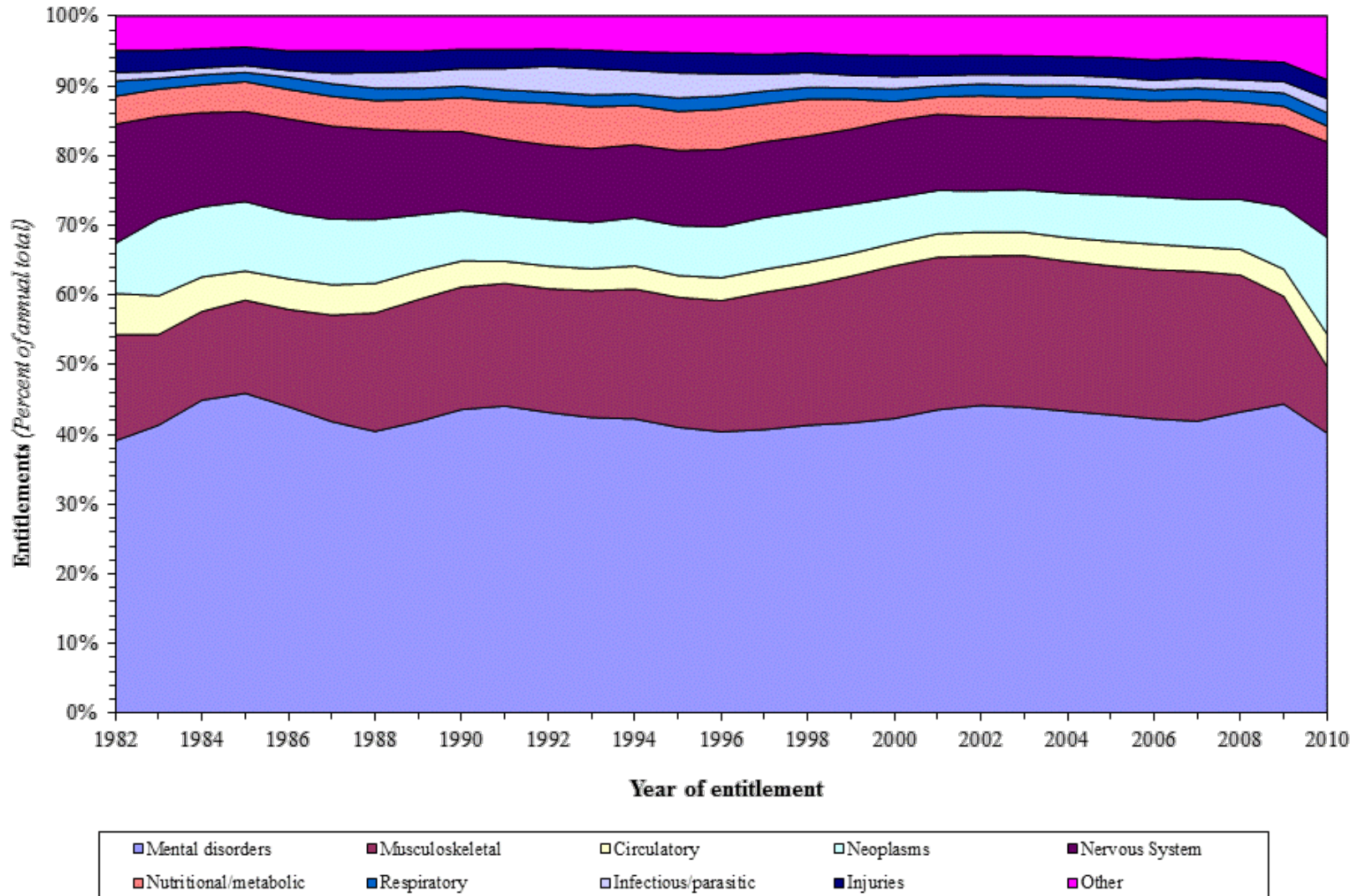
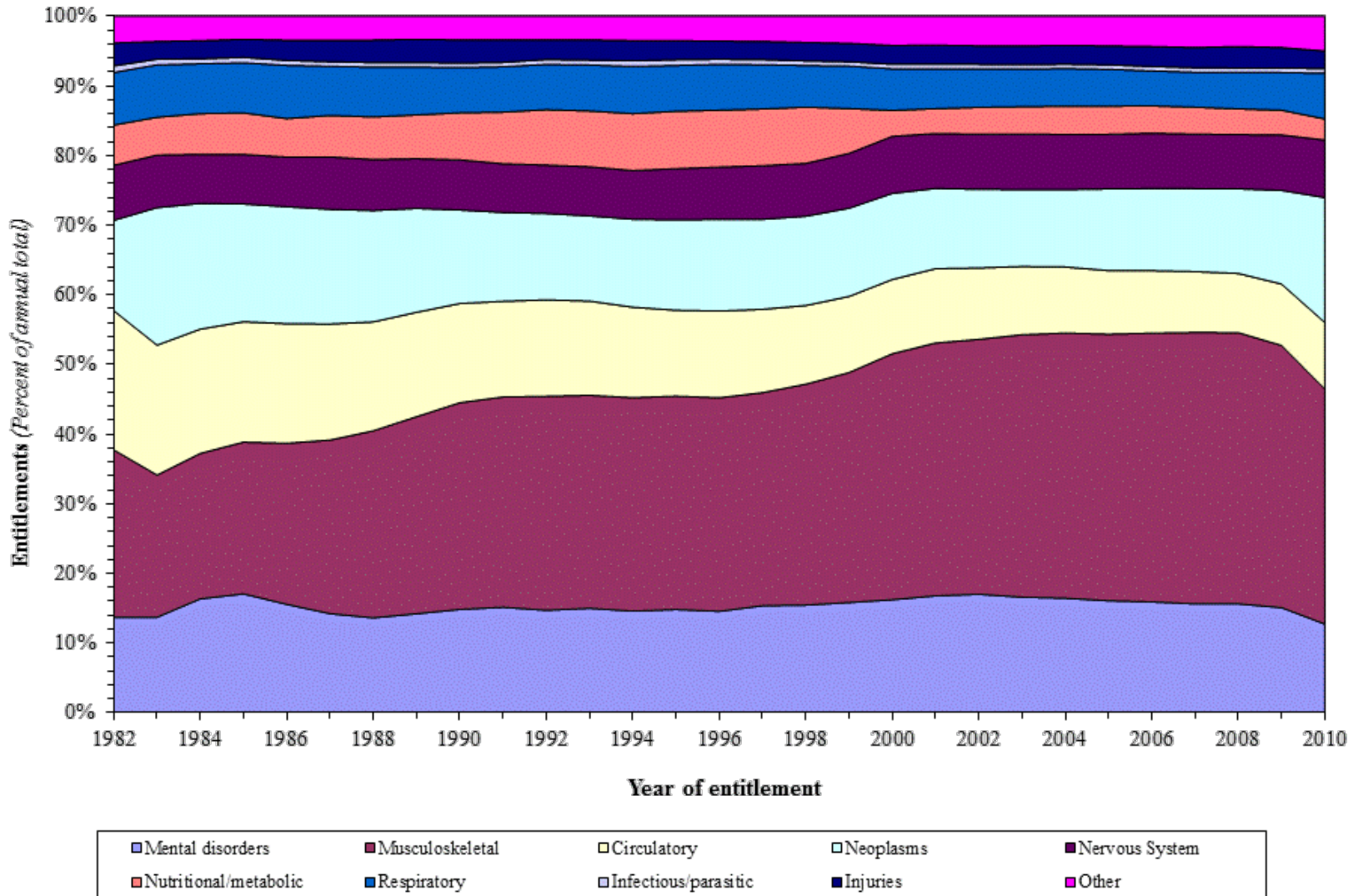
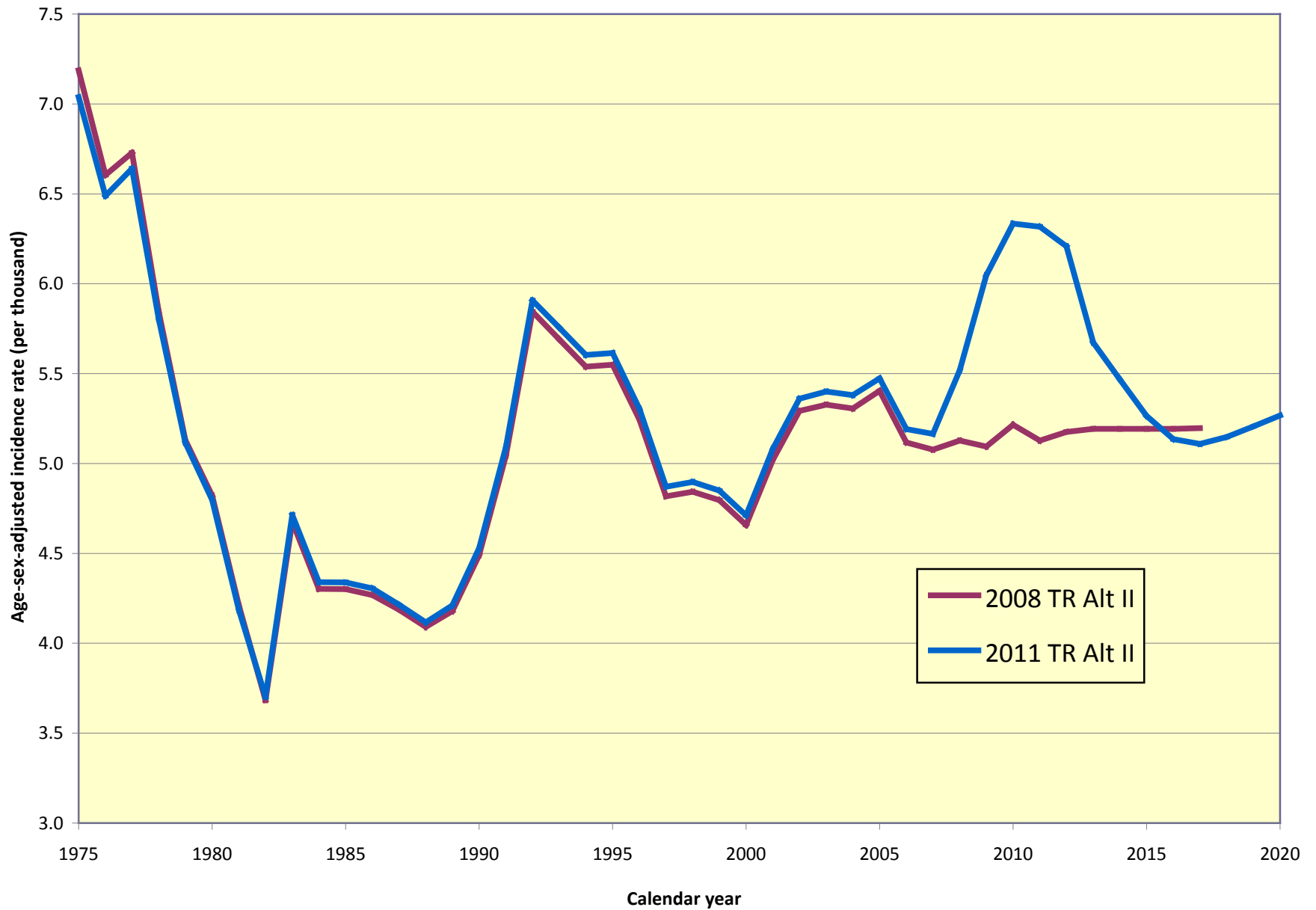


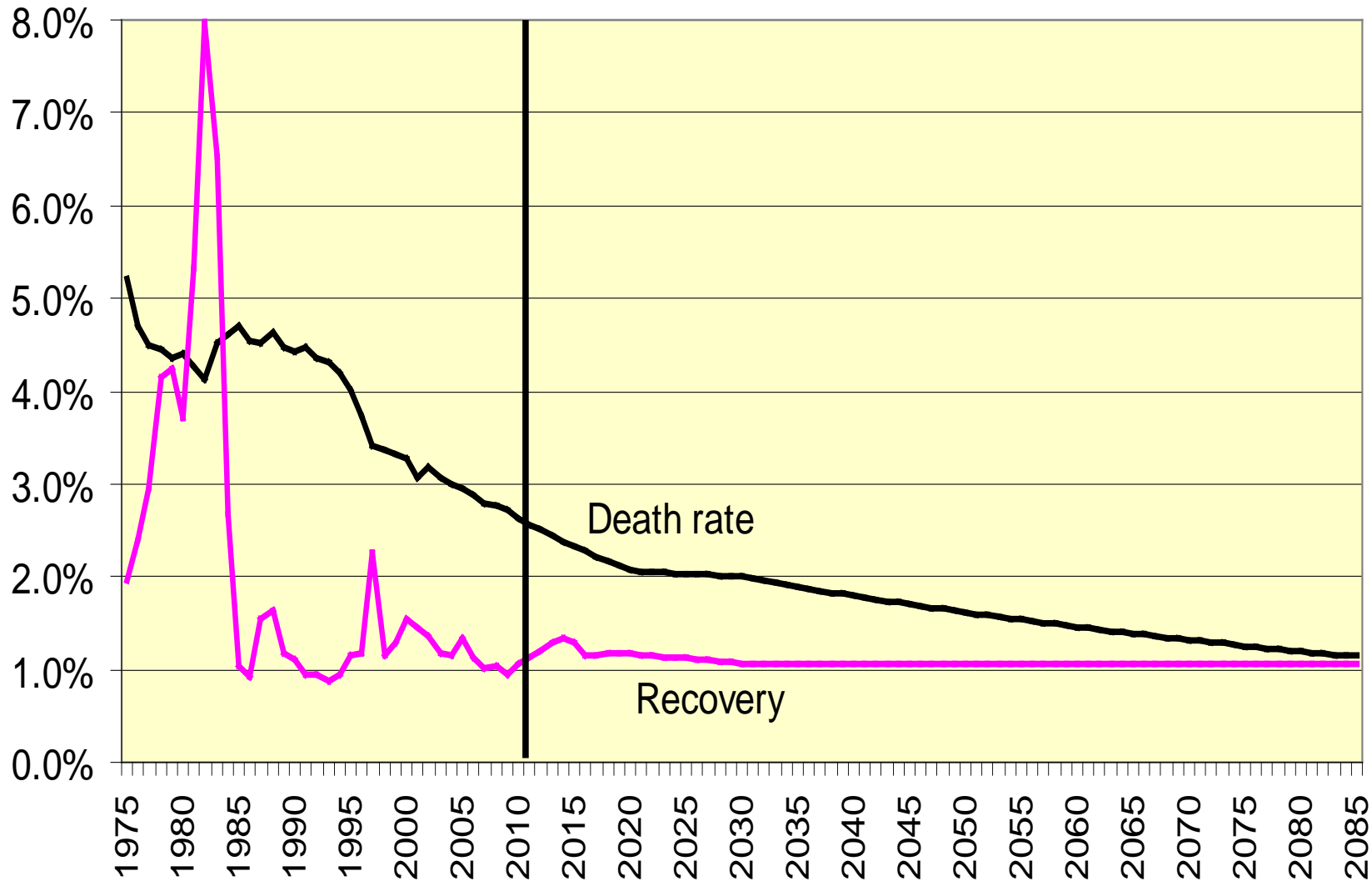
Figure 13: Increased musculoskeletal primary diagnosis among female disabled worker awards age 50-59 (male similar)



Historical and projected age-sex-adjusted incidence rates

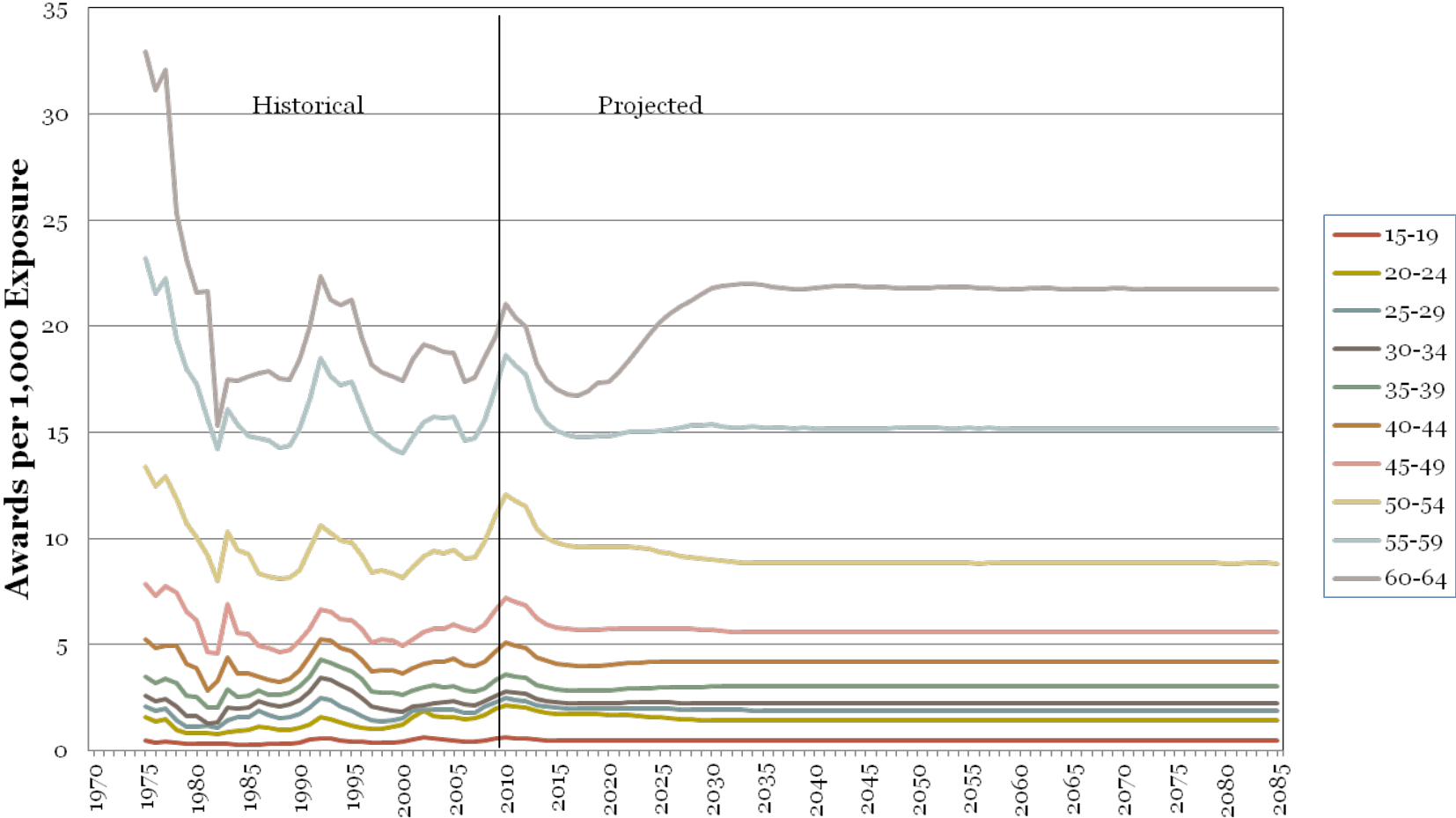


Disabled Worker Death and Recovery Rates: 2011TR



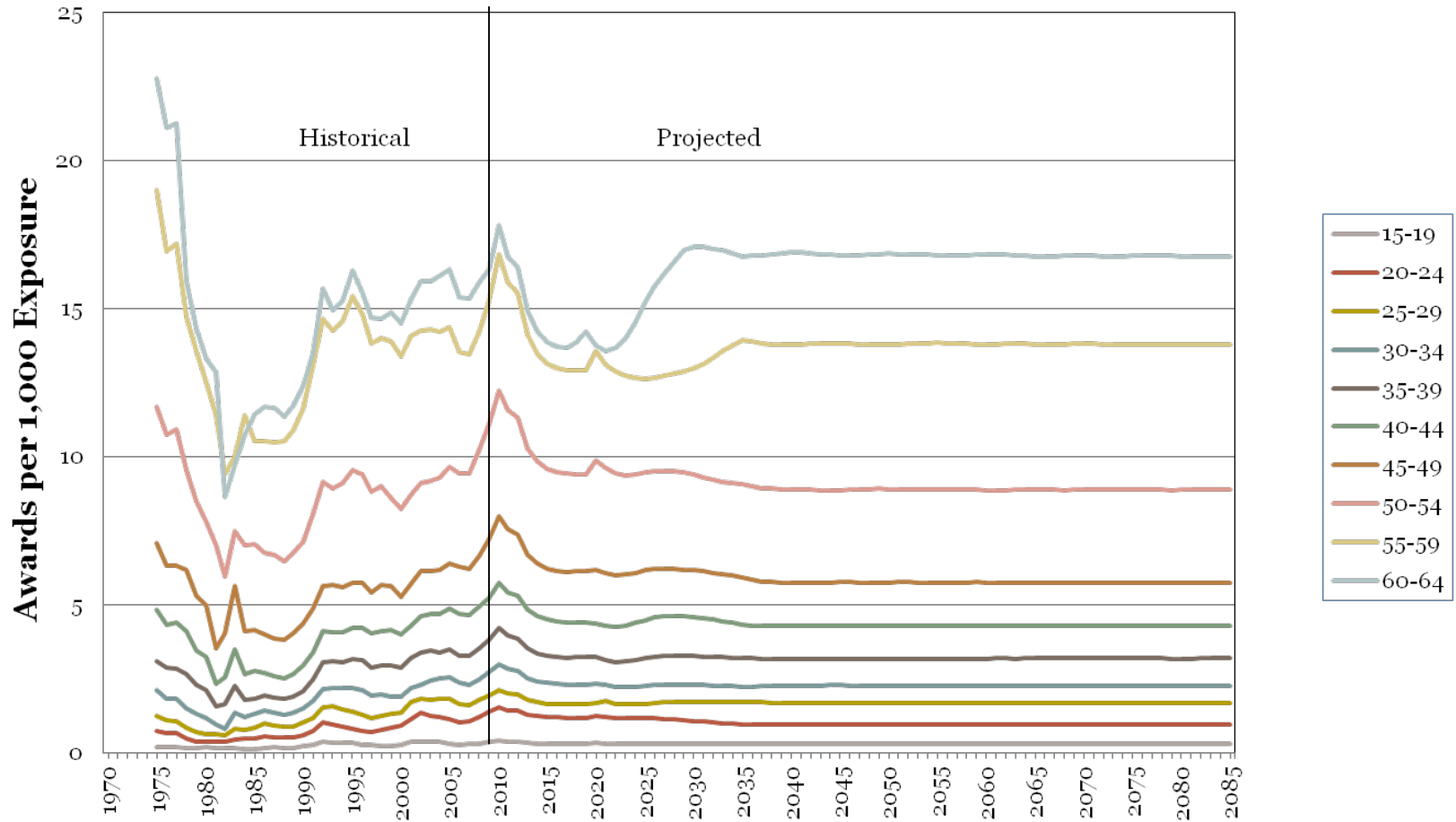
Long Range Model Tracks Retirement Age and Ultimate Rate Assumptions

Male DI Disabled Worker Award Incidence Rate



Long Range Ultimate Incidence Rates Assumed to Stabilize

Female DI Disabled Worker Award Incidence Rate



Restructuring Disability Benefits

David Stapleton, Ph.D.

National Academy of Social Insurance

Disability Roundtable

Washington, DC

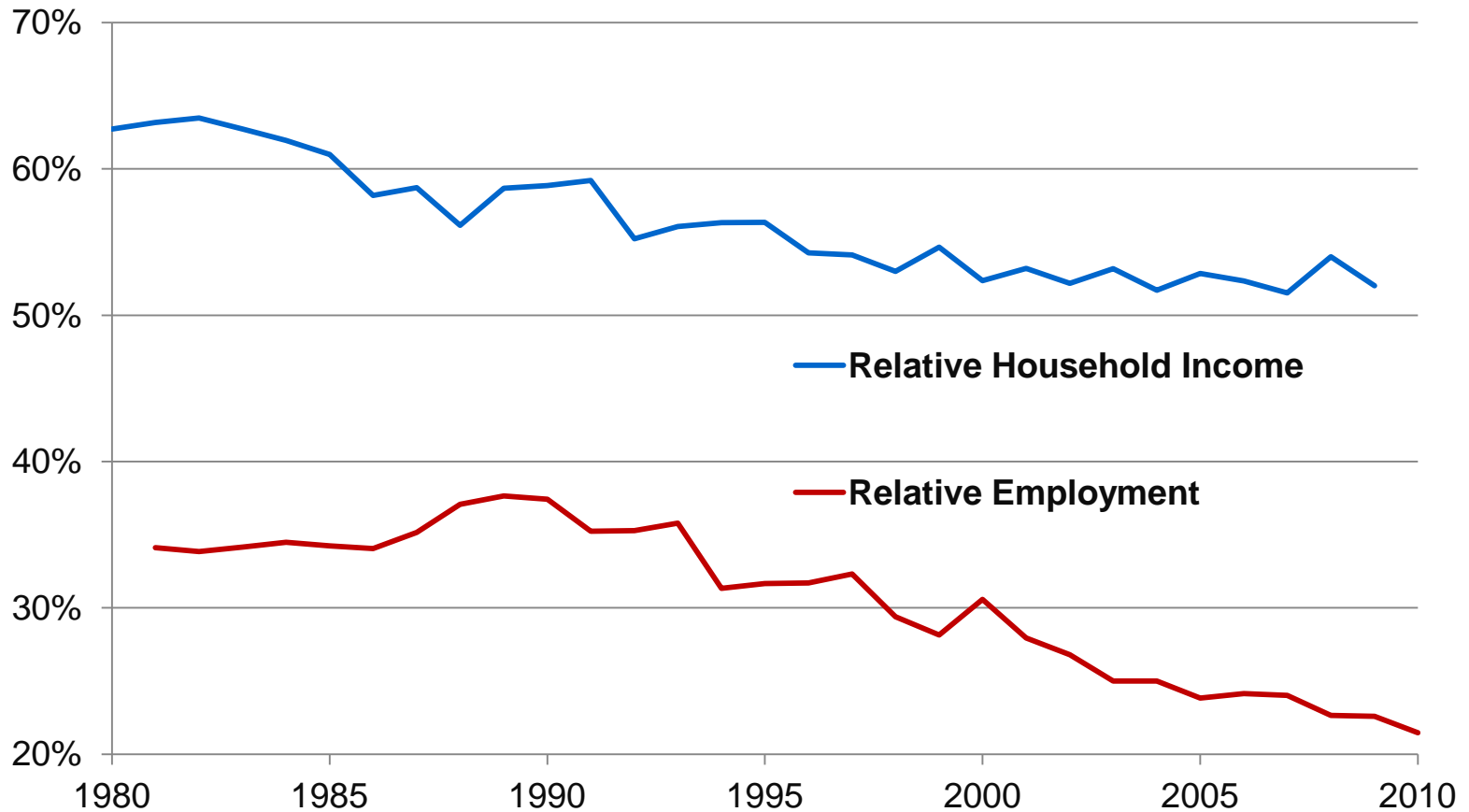
January 27, 2012

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Policy Research

Center for
STUDYING
DISABILITY POLICY



Current Policies Are Failing People with Disabilities

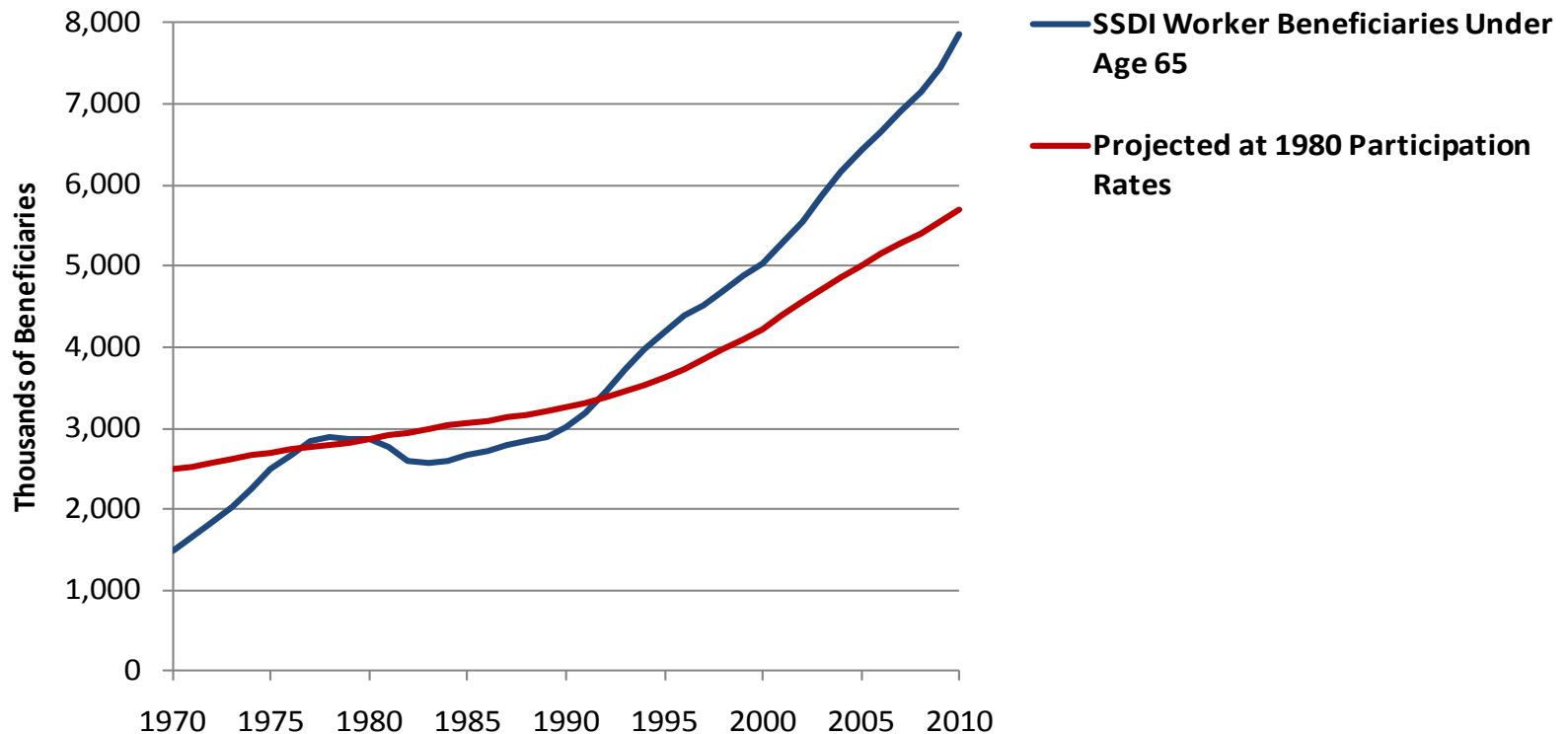


Poverty Rates Are High

- **65% of those in long-term poverty (three years or more) have a disability**
- **50% of all SSDI/SSI beneficiaries live in poverty**

Current Policies are Failing Taxpayers

SSDI Worker Beneficiaries under Age 65, 1970 - 2010



Source: Analysis of published statistics from SSA (details available on request).



- The number on the rolls in December 2010 would be 2.2 million (28%) lower if age-sex participation rates were the same as in 1980

12% of Federal Outlays Support Working-age People with Disabilities

Category	FY 2008 Expenditures (in millions)	Percent Change, FY 2002–2008 (adjusted for inflation)
Income maintenance	169,801	29.5
Health care	169,099	34.4
Housing/food assistance	11,643	17.9
Education, training, and employment	4,321	-2.6
Other services	2,492	2.3
Total	357,356	30.6

Incremental Improvements Have Not Reversed These Trends

- **Legislation intended to improve outcomes**
 - **Americans with Disabilities Act (ADA)**
 - **Rehabilitation Act / Work Incentives Improvement Act**
 - **Individuals with Disabilities Education Act**
 - **Ticket to Work and Work Incentives Improvement Act**
- **Why?**
 - **Layering complexity on top of complexity**
 - **“Benefits first, work support later” approach**

Major Structural Reforms are Needed

Early Intervention Proposals

Work Insurance

Being American

(MacDonald and O'Neil 2006)

- Funded by payroll taxes
- Temporary cash and employment supports
- Applicants directed to work-insurance program, SSDI, or denied assistance
- Eligibility based on medical conditions and other considerations

Universal Short Term

Private Disability

Insurance

(Autor and Duggan 2010)

- Required
- Employer and employee premiums.

Experience Rating

(Burkhauser and Daly 2011)

- SSDI payroll taxes to employers partly based on SSDI benefits paid to former employees

More Fundamental Reforms

- **Address work disincentives comprehensively**
 - Replace “inability to work” with “work capacity” (Mann and Stapleton 2011)
 - Compensation for “extra cost of disability”
- **Consolidate/integrate programs**
 - GAO
 - (Mann and Stapleton 2011)
- **Devolve more responsibility and flexibility to state and local entities**
 - SSI to states (Burkhauser and Daly 2011)
 - Disability Support Administrators (Mann and Stapleton 2011)

Structural Changes Require Testing

- **Focused demonstration period**
 - 10 or more years
 - Build the evidence base
 - Build policy and political consensus
- **Demonstrations require collaboration**
 - Federal and state agencies
 - Large municipalities
 - Various private organizations
- **Federal legislation required**

The Viable Options

- **Decades of:**
 - **Trimming eligibility and benefits**
 - **Small efficiency gains within programs**
 - **Deteriorating economic security**
- OR**
- **Launch a structural reform process**
 - **Demonstration period with objectives and timetable**
 - **Short-term protection for current programs in exchange for long-term savings**

Contact Information

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Growth in the SSDI Roles

Why Has It Happened and
What Does It Mean?

Lisa D. Ekman, JD, MSW

SSDI Is Vitally Important For People With Disabilities

- SSDI benefits lift many people with disabilities and their family members out of poverty
- Almost half of SSDI beneficiaries rely on these critical benefits for 90% or more of their total income
- For many people with disabilities, the SSDI benefits they earned are the only thing that keeps them from homelessness and destitute poverty

Why have the roles grown?

- Demographics – Steve Goss laid this out really well but to recap
 - More women qualify for benefits
 - Boomers entering high disability years
 - Increase in the normal retirement age
- Increase is going to level out
- And, other factors contribute as well

Why Have the Roles Grown (cont)

- The Economy
 - We expect applications and beneficiaries to increase during economic downturns
 - Employers are less likely to hire and more likely to fire workers with disabilities during weak economy
 - Harder to find a job if laid off, especially if an older worker and have a disability

Why Have the Roles Grown (cont)

- Decline in health insurance coverage
- A less forgiving workplace
 - Many SSDI beneficiaries are ill prepared to be competitive in today's economy
- Americans with Disabilities Act has not eliminated discrimination in hiring
- Other programs (e.g. private disability insurance and workers comp) require people to apply

What Does This Increase Mean for the Future of SSDI?

- Increase leveling off – not expected to continue into the future
- Does not mean the program is unsustainable or unaffordable

Sustainability and Affordability Are a Matter of Priorities

- Americans support Social Security and they don't mind paying for it
 - Given a choice, they would rather pay more than see benefits cuts
- Could take care of the shortfall by:
 - Reallocating some of current taxes from the retirement fund
 - Small increase in FICA Tax rate