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SENIOR LEGISLATIVE REPRESENTATIVE
NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE
COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECUIRTY
UNITED STATES HOUSE OF REPRESENTATIVE
HEARING ON
"MAINTAINING THE DISABILITY INSURANCE TRUST FUND'S SOLVENCY"
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Chairman Johnson and Ranking Member Becerra:

On behalf of the millions of members and supporters of the National Committee to Preserve Social Security and Medicare, I want to thank Chairman Sam Johnson and Ranking Member Xavier Becerra for holding this hearing entitled "Maintaining the Disability Insurance Trust Fund's Solvency." I am honored to appear before the Committee today.

Our members come from all walks of life and every political persuasion. What unites them is their passion for protecting and strengthening Social Security and Medicare, not just for themselves but for their children and grandchildren. Our members see Social Security as an inter-generational compact that protects all members of the family. To them, it is a single integrated system of benefits that provides family protection from birth to death. It is a system where all of its parts, whether SSDI or retirement and survivors benefits, are equally important.

Most seniors have children and grandchildren and are as concerned for their offspring's well-being as they are for their own. Maybe more so. They may have had sons and daughters who were born with a disabling condition or who became disabled later in life. They are familiar with the disappointment and financial hardship unanticipated events cause and are grateful that Social Security is available to provide help when it is needed. Fundamentally, they understand SSDI's value and they support the program.

And of course, as the retirement age steadily advances to 67, more and more seniors themselves are receiving SSDI, a reflection of the fact that the incidence of disability increases as we age. In fact, people who are 50 or older make up a significant majority of those who receive SSDI benefits.

The Disability Insurance Program

Before addressing the financial issues confronting the SSDI program, I would first like to briefly describe the nature of the program and the people who benefit from it. First and foremost, SSDI coverage is an earned right. Workers become insured for SSDI by earning enough quarters to qualify and by paying Social Security taxes on their earnings. Like all other workers, their taxes have accumulated in the Social Security Trust Funds, which currently have a balance of about $2.8 trillion.

Disability insurance provided through Social Security is the government's largest income support program for the disabled, providing monthly cash benefits to workers who sustain severe, long-term disabilities. To qualify, a person must meet the definition of disability under the Social Security Act. Workers qualify if the Social Security Administration (SSA) determines that an individual is unable to work due to a severe medical condition that has lasted, or is expected to last, for at least one year or result in death. In addition, the medical condition must prevent that individual from performing his or her past work. The medical condition must also prevent the person from adjusting to any other work that exists in the national economy.

This is a very stringent standard, and unsurprisingly, the vast majority of those who apply are unable to qualify for benefits. When compared with disability standards of other economically developed countries, the definition employed by SSA in making disability determinations consistently ranks as one of the most severe. In fact, it isn't uncommon for veterans with severe service-connected disabilities to be denied when they apply for SSDI. Further illustrating the severe nature of this standard is the elevated mortality rate for disabled workers who qualify for SSDI. One in five men and one in six women dies within five years of being approved for benefits.

An essential feature of the SSDI program is the procedural safeguards that are extended to those who apply. Those who disagree with decisions made by SSA have the right to request an appeal. The appeals process consists of a series of reviews made by agency officials that ultimately can be appealed to a federal district court. In most states the initial appeal is the reconsideration, and if the claimant disagrees with this decision, he or she can appeal to an administrative law judge (ALJ) who will independently review the prior decision. The third appeal available to a claimant is a review by the Appeals Council of the decision made by the ALJ. The fourth and final appeal is a suit filed in federal district court. This option is available to claimants whose cases have been denied by the Appeals Council.

While bringing a claim through the entirety of this appeals process can be lengthy, the ability to challenge decisions made by SSA is an essential element of the due-process rights that disabled individuals enjoy as American citizens. These procedures should be maintained and strengthened by providing SSA with adequate funding to make timely and accurate decisions at all stages in the appeals process.

Importance of Disability Insurance to the American People

Social Security provides peace of mind for all Americans. Not only does it provide a foundation for a secure retirement, it also protects nearly all American workers and their families against the possibility of a life-changing disability or illness that prevents them from working.

The peace of mind provided by SSDI is even more important given the harmful effect of the near total disappearance of employer-provided pensions. Compounding the problem is the impact that decades of stagnant wage growth has had on Americans' ability to save for retirement, especially when an individual’s working years have been shortened by an unexpected onset of disability.

The U.S. Census Bureau estimates that about 57 million Americans—one in five—live with disabilities. Of these, about 38 million, or 1 in 10, have a severe disability. As stated previously, only those with the most limiting impairments receive support from Social Security.

SSDI currently pays benefits to 9 million disabled workers and two million spouses and children. SSDI beneficiaries include more than a million military veterans, 4.4 million women, 700,000 widow(ers), 1.8 million African Americans and one million Hispanics.

Benefits paid by SSDI are modest but vitally important to the workers and families who receive them. The average monthly benefit of $1,165 for a disabled worker is just over the federal poverty line. The importance of these benefits is illustrated by the fact that about 1 in 3 disabled Americans have no other sources of income.

SSDI keeps millions of Americans out of poverty and homelessness. Poverty rates are substantially higher for people who report significant disabilities but are not receiving SSDI benefits than for people who have been receiving SSDI benefits for at least five years. Without SSDI, an estimated 50 percent of beneficiaries would live in poverty. Even with benefits, it is estimated that about 1 in 5 SSDI beneficiaries live in poverty.

Alternatives to SSDI are limited. According to the Department of Labor, only 1 in 3 civilian workers have long-term disability insurance through their employer, and the benefits these policies provide are often less adequate than the protections provided by Social Security.

Strengthening This Vital Program

The need to strengthen the financing of the SSDI program is not a surprise. As far back as 1995, the SSDI trust fund has been projected to face a funding shortfall. The reasons for this, which I will discuss in more detail later, have been well-known for many years. They are primarily demographic in nature and are expected to stabilize in years to come.

The 2014 report of the Social Security Trustees projects that the DI trust fund will be substantially depleted sometime in late 2016. In addition, the trustees reported that the income to the DI trust fund at that time will equal only about 80 percent of the trust fund’s obligations. Without action by Congress, in 2016 disability benefits that are currently being paid to about 11 million disabled workers and their dependents will either be delayed or will be reduced across-the-board by 20 percent.

As the 2016 deadline approaches, it will become an increasingly heavy burden on the minds of these millions of disabled Americans who constitute some of the most vulnerable members of our society. Congress should take action now to ease that burden by rebalancing the revenue flow into the DI Trust Fund so that it remains able to pay all benefits it owes to disabled beneficiaries and to do so on time.

This rebalancing has been done a total of eleven times since the DI trust fund was established in 1956, and can be done today without compromising the ability of the overall Social Security program to pay benefits for nearly 20 years. Rebalancing should be done now and it should be done on a bipartisan basis, as all of the prior rebalancing decisions have been made.

The Current Shortfall is the Product of Known Demographic Trends

As far back as 1995, the Social Security trustees projected that the DI trust fund's outlays would exceed revenues starting in 2016. The most recent Trustees Report, released in July 2014, confirms this projection. Moreover, it estimates that after the DI trust fund is depleted, revenue coming into the DI trust fund will equal only 80 percent of the fund's benefit obligations. These consistent projections are the product of demographic shifts that have been underway for many years and that have led to increases in the number of SSDI beneficiaries and corresponding increases in the cost of the program. The following factors account for most of the growth in the number of individuals receiving benefits from the SSDI program:

- **Growing Labor Force.** During this time, the working-age population (age 20 through 64) increased by about 43 percent. As this population grew, so did the labor force, leading to more Social Security-covered workers who might at some point during their working lives become entitled to SSDI benefits.

- **Aging Population.** The risk of disability increases with age. A worker is far more likely to be disabled at age 50 than at 40 and twice as likely at age 60 than at 50. The baby boomers, who were born between 1946 and 1964, have now aged into their high-disability years, driving much of the growth in the SSDI program.

- **Women's Labor Force Participation.** The number of women entering the workforce since 1970 resulted in a significant increase in the number of women insured for SSDI benefits. In 1980, only 50 percent of women had worked long enough to be eligible for SSDI if they were to become disabled. By contrast, women today have essentially caught up with men when it comes to being insured for benefits based on their participation in the labor force.

- **Women's Recipiency Rates Equal Men's.** Women have also caught up with men in terms of the rate at which they become disabled. As recently as 1990, disabled male workers outnumbered disabled female workers by 2 to 1. Today, nearly half of workers receiving SSDI are women.

- **Effect on SSDI of Increasing the Social Security Retirement Age.** Increasing the full retirement age from 65 to 67 has also played a role in increasing the cost of the SSDI program. Keeping disabled workers on SSDI for an additional one to two years before converting to retirement benefits has driven up the cost of SSDI; yet another example of a change to the program, the effect of which was well understood long ago.

As the foregoing discussion of the factors that account for the recent growth in the SSDI program indicates, the vast majority of the increase in the program was predicted many years ago, and they can by no means be characterized today as a surprising development or as an impending crisis.

SSDI Awaits Routine Technical Correction

Within the next two years, a routine adjustment is required to ensure that the SSDI trust fund will continue to pay 100 percent of promised benefits. As stated earlier, prior Congresses, on eleven occasions, have rebalanced the revenue between Social Security's trust funds without controversy. Congress should do so now.

The projected DI shortfall can be easily eliminated by rebalancing the flow of revenue between the DI and the Old-Age and Survivors Insurance (OASI) trust funds so that they remain on an equal footing and remain fully solvent through 2033. This adjustment can ensure Social Security's solvency for the nearly twenty years without increasing contributions or decreasing benefits.

But of greatest importance is the fact that rebalancing revenue to the SSDI trust fund will provide peace of mind to the 11 million Americans who receive benefits from the DI trust fund by assuring them that they can be confident their benefits will continue uninterrupted by a predicted and preventable shortfall. Now is the time for all members of Congress to step up and show their commitment to Social Security and the millions of Americans who have earned benefits from this vitally important program.