

**FIRST IN A HEARING SERIES ON SECURING THE
FUTURE OF THE SOCIAL SECURITY DISABILITY
INSURANCE PROGRAM**

HEARING
BEFORE THE
SUBCOMMITTEE ON SOCIAL SECURITY
OF THE
COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES
ONE HUNDRED TWELFTH CONGRESS
FIRST SESSION

DECEMBER 2, 2011

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SECURITY DISABILITY INSURANCE PROGRAM**

FRIDAY, DECEMBER 2, 2011

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The subcommittee met, pursuant to call, at 10:34 a.m., in Room B-318, Rayburn House Office Building, the Honorable Sam Johnson [Chairman of the Subcommittee] presiding.

[The advisory of the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

Chairman Johnson Announces the First in a Hearing Series on Securing the Future of the Social Security Disability Insurance Program

December 2, 2011

U.S. Congressman Sam Johnson (R-TX), Chairman of the House Committee on Ways and Means Subcommittee on Social Security, today announced a hearing series on Securing the Future of the Social Security Disability Insurance (SSDI) Program. **The first hearing of the series will focus on the history of the disability insurance program, the income security it provides and its financing challenges. The hearing will take place on Friday, December 2, 2011, in B-318 Rayburn House Office Building, beginning at 10:30 a.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

BACKGROUND:

The Social Security Act Amendments of 1956 (P.L. 84-880) created the SSDI program to provide protection against economic insecurity resulting from a disabled worker's loss of earnings. The SSDI program pays benefits to those who have worked in the past but are determined to be unable to work because of a severe medical condition that is expected to last more than a year or result in death.

Monthly cash benefits are payable to disabled workers and their families after a five month waiting period. These benefits currently average \$1,070 per month for disabled workers. Social Security is an important source of income to SSDI beneficiaries. According to the Social Security Administration (SSA), almost half of families receiving SSDI benefits rely on Social Security for the majority of their family income.

After a two year waiting period, most SSDI beneficiaries are also eligible for Medicare. On average, each disability benefit award is valued at \$250,000 in SSDI and Medicare benefits over a beneficiary's lifetime.

In September 2011, \$9.7 billion in benefits were paid to 8.5 million disabled workers and 2.0 million of their spouses and dependent children. According to the Congressional Budget Office (CBO), the cost of Medicare benefits for those receiving SSDI benefits in fiscal year 2009 totaled about \$70 billion.

SSDI benefits are primarily financed through the Social Security payroll tax, but the Disability Insurance Trust Fund also receives income from the partial income taxation of SSDI benefits, and interest earnings on its assets. Of the total tax rate of 12.4 percent (or 6.2 percent paid by employers and employees, each), 1.8 percentage points are allocated by law to the Disability Insurance Trust Fund, while the rest funds the Old-Age and Survivors Insurance Trust Fund. In their 2011 Annual Report, the Social Security Trustees project that the Disability Insurance Trust Fund will become exhausted in 2018, at which point revenues will cover only 86 percent of benefits.

According to CBO, between 1970 and 2009, the number of people receiving disability benefits more than tripled from 2.7 million to 9.7 million. During the same period, inflation-adjusted expenditures for the SSDI program, including administrative costs, climbed from \$18 billion to \$124 billion. The reasons for this apparent growth are complex, and demographic changes play an important role. During this same four-decade period, the size of the overall workforce has grown, the large baby-boom generation has aged into its most-disability-prone years, women have entered the workforce and become insured for benefits should they become severely disabled, and Congress has periodically revised eligibility guidelines. In addition, wage lev-

els—which are the basis for both the program’s financing and its benefit levels—have also risen substantially.

In announcing the hearing series, Social Security Subcommittee Chairman Sam Johnson (R–TX) said, “Disabilities have a devastating effect on individuals and their families, and Social Security Disability Insurance benefits provide important income security that they rely on. Yet in just seven years the disability program will be unable to pay full benefits unless changes to the law are made. Through this hearing series the Subcommittee will lead a much-needed conversation about the challenges facing this vital program and solutions that can meet the needs of those with disabilities and the workers who support the program through their hard-earned tax dollars.”

FOCUS OF THE HEARING:

The hearing will focus on the history of the SSDI program, the importance of its benefits, the growth of the program and the drivers of that growth along with program’s current and future financing challenges.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, <http://waysandmeans.house.gov>, select “Hearings.” Select the hearing for which you would like to submit, and click on the link entitled, “*Click here to provide a submission for the record.*” Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, **by the close of business on Friday, December 16, 2011.** Finally, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225–1721 or (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any supplementary materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission or supplementary item not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be provided in Word or WordPerfect format and **MUST NOT** exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone, and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://www.waysandmeans.house.gov/>.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TDD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Chairman JOHNSON. This hearing will come to order.

Good morning to all of you.

The Social Security Disability Insurance program has been the source of great debate before and since its cash benefit program was signed into law in 1956 by then-President Eisenhower.

Soon after Social Security was established in law in 1935, serious discussion emerged whether to expand the program to workers who became permanently and totally disabled before age 65 and to their dependents. While some urged action to establish these benefits, others were concerned about the subjectivity in determining whether a person was truly disabled.

Not surprisingly, this debate came to a head in a post-World War II society. In the mid-20th century, still living in a world created by the American industrial revolution, if the sole breadwinner was disabled, there were few options.

The world in 1956 is a far cry from the world we live in today, where we are connected not just by highways but by bandwidth, where the Internet has redefined our idea of our local neighborhoods, where modern medicine has extended our lifespan well beyond anything conceived by our grandparents, and where technology has opened up opportunities that are as life-altering as the Model T was in the beginning of the last century.

I had a Model A. I tried to get them to put that in there.

The global economy has changed too. Like Europe, we need foreigners to buy our debt in order to finance our government. Today, 46 percent of our debt is held by investors outside the United States. The debt crisis facing Europe, where bond buyers refuse to buy more debt, is forcing many in the European Union to make changes to their social benefit programs. Greece and other European nations remind us of the price America will have to pay if we delay reform.

Against this backdrop, the disability debate still rages on. And, today, the Social Security Disability Insurance program pays benefits to individuals with a disability that meet certain medical criteria as long as they worked long enough and paid Social Security taxes.

The continuing growth of the program is striking. At a time when workers paying into the system has increased nearly 70 percent between 1970 and 2010, the number of people receiving disability benefits increased by almost 300 percent, from 2.6 million to nearly 10 million. By 2020, the number of beneficiaries will continue to increase by 18 percent, to 11.8 million. By then, total benefits paid will reach \$188 billion. That is a 52 percent increase over the \$124 billion paid in benefits just last year.

Experts tell us the program's growth is due to the changing workforce, including the aging of the baby boomers, changes in disability policy, and the still struggling economy. That continued growth is putting a massive strain on the Social Security Disability Insurance program.

According to the 2011 Trustees Report, without congressional action, the Disability Insurance Trust Fund will be unable to pay full benefits beginning in 2018. That is only 6 years from now. The path we are on is unsustainable, and we are putting individuals with disabilities at risk if we don't act soon.

This subcommittee, through this hearing series, will lead a much-needed conversation about the challenges facing this important program and solutions that can meet the needs of those with disabilities and workers who support the program through taxes on their hard-earned wages.

We begin today with an examination of the history of the Disability Insurance program, the income security it provides, and its financing challenges. Through future hearings, we will explore the inner workings of the program, including vulnerabilities to fraud, the criteria used to determine benefit eligibility, how decisions are made in the appeals process, and the good thinking that is taking place about possible solutions.

At a time when Washington doesn't seem to be able to agree on much, I know that all the members of this subcommittee agree on the importance of coming together to ensure that this program stays strong for those who truly cannot work.

[The prepared statement of Chairman Johnson:]

**Hearing on Securing the Future of the Social Security Disability Insurance Program
Subcommittee on Social Security
Chairman Sam Johnson
Opening Statement
December 2, 2011**

The Social Security Disability Insurance program has been the source of great debate both before and since its cash benefit program was signed into law in 1956 by then President Dwight D. Eisenhower.

Soon after Social Security was established in law in 1935, serious discussion emerged whether to expand the program to workers who became permanently and totally disabled before age 65 and to their dependents. While some urged action to establish these benefits, others were concerned about the subjectivity in determining whether a person was truly disabled.

Not surprisingly this debate came to a head in a post-World War II society. In the mid-twentieth century, still living in a world created by the American industrial revolution, if the sole breadwinner was disabled, there were few options.

The world in 1956 is a far cry from the world we live in today, where we are connected not just by highways but by bandwidth,

where the internet has redefined our idea of our local neighborhoods,

where modern medicine has extended our lifespan well beyond anything conceived by our grandparents,

and where technology has opened up opportunities that are as life-altering as the Model-T was at the beginning of the last century.

The global economy has changed too. Like Europe, we need foreigners to buy our debt in order to finance our government. Today 46 percent of our debt is held by investors outside the United States.

The debt crisis facing Europe, where bond buyers refuse to buy more debt, is forcing many in the European Union to make changes to their social benefit programs. Greece and other European nations remind us of the price America will have to pay if we delay reform.

Against this backdrop, the disability debate still rages on.

Today, the Social Security Disability Insurance program pays benefits to individuals with a disability that meets certain medical criteria, as long as they worked long enough and paid Social Security taxes.

The continuing growth of the program is striking. At a time when workers paying into the system has increased nearly 70 percent between 1970 and 2010, the number of people receiving disability benefits increased by almost 300 percent, from 2.6 million to nearly 10 million.

By 2020, the number of beneficiaries will continue to increase by 18 percent to 11.8 million. By then total benefits paid will reach \$188 billion. That's a 52 percent increase over the \$124 billion paid in benefits last year.

Experts tell us the program's growth is due to the changing workforce, including the aging of the baby boomers, changes in disability policy over the years, and the still struggling economy.

That continued growth is putting a massive strain on the Social Security Disability Insurance program. According to the 2011 Trustees' Report, without Congressional action, the Disability Insurance Trust Fund will be unable to pay full benefits beginning in 2018, just a little over six years from now. The path we are on is unsustainable, and we are putting individuals with disabilities at risk if we do not act soon.

This Subcommittee, through this hearing series, will lead a much-needed conversation about the challenges facing this important program and solutions that can meet the needs of those with disabilities and the workers who support the program through taxes on their hard-earned wages.

We begin today with an examination of the history of the disability insurance program, the income security it provides and its financing challenges. Through future hearings we will explore:

- the inner workings of the program including its vulnerabilities to fraud,
- the criteria used to determine benefit eligibility,
- how decisions are made and the appeals process,
- and the good thinking that is taking place about possible solutions.

At a time when Washington doesn't seem to be able to agree on much, I know all the members of this Subcommittee agree on the importance of coming together to ensure that this vital program stays strong for those who truly cannot work.

I thank you again for being here.

And I now recognize the ranking member of the Subcommittee on Social Security, Mr. Becerra, for his opening statement. You are recognized for 5 minutes.

Mr. BECERRA. Mr. Chairman, thank you very much for calling this hearing.

Today, nearly every working American and his or her family is protected against the devastating consequences of premature death, career-ending disability, and insufficient retirement savings. They have earned the protection; they paid for it. It is called Social Security. The benefits, they are basic. Nobody gets rich from Social Security. But they are reliable, and they are part of why America's families in the middle class grew so strong.

Today we are beginning a series of hearings focused specifically on Social Security Disability Insurance, or DI. I am glad that we are because I believe in the program. It is vital. It provides irreplaceable economic security to those who have paid in but are no longer able to work through no fault of their own.

At the same time, let's be as honest as we are human. There is always room for improvement. And that, Mr. Chairman, is the operative word for these hearings, "improvement."

Are we here today as representatives of those American workers to strengthen Social Security's DI program, to re-enforce that can-do optimism flowing through our own DNA? Or are we signaling retreat—retreat from the protections, retreat from the services and benefits Americans paid for?

Without Social Security, about half of Americans who receive its benefits would be living in poverty. This is particularly true for Americans who have become severely disabled and who often have families to care for.

Remember, workers paid for their benefits. Over its lifetime, Social Security has taken in \$14.6 trillion and so far has only had to pay out to contributing Americans \$12 trillion. That is pretty good surplus.

Let's be clear. It is not easy to qualify for disability benefits, and rightly so. DI is usually only for people who have paid into the system—not usually, it is only for people who have paid into the system. And it is only available to those with the most severe impairments—Americans who are dying or who genuinely can't earn a living wage and whose disabilities are disabling for at least a year.

When considering whether you can work, the Social Security Administration looks at whether you can do any job in the economy, even if it is not in your profession or pays a lot less than your old job or requires you to move to a different city. In fact, most people with illnesses and disabilities do not receive DI benefits; only the sickest people do. How sick? About one in seven Americans dies within a few years of becoming eligible for benefits. The benefits are not overly generous either, averaging about \$13,000 a year.

If you simply compare the number of people getting DI benefits 40 years ago to the number getting benefits today, it seems large, but that is a loaded way of looking at it. A lot has changed in 4 decades.

For starters, women have entered the workforce in large numbers. In 1975, there were about 37 million women in the workforce; today, 72 million.

Baby boomers—we all know about the baby boomers. I certainly do; I am one of them. We are not at the age of eligibility for retirement benefits yet, but, more and more, my cohort is beginning to become disabled or ill. A 50-year-old today is roughly twice as likely as a 40-year-old to be severely disabled, and a 60-year-old today is twice as likely to be disabled as that 50-year-old.

In addition, we have had this great recession. Some people who held a job in spite of very severe illnesses and disability have lost those jobs and have not been able to secure employment since.

Once you take into account these demographic changes—a larger workforce, an older population, more working women—the rate at which newly disabled workers begin receiving benefits today compared to the working population is below what it was in the mid-1970s.

Having said all this, SSA needs to have enough people and technology to do a good job of managing the DI system. Unfortunately, today SSA is operating under a budget that this Congress cut imprudently. The result? The number of disabled Americans awaiting a decision from SSA on their application for earned benefits is again on the rise, despite previous years of progress in reducing the backlogs. Today, more than 1.5 million Americans are awaiting a decision on their application for benefits.

Some Americans have lost their homes, their families, and even their lives waiting for the benefits they have earned. An Army veteran in Maryland became homeless and in dire need of medical care because her hearing was not held. A gentleman in Texas had to file for bankruptcy during the 6 years it took before he received the benefits he had earned.

Mr. Chairman, we have a lot to do. And there are a lot of good people who paid into the Social Security system. For the smallest share of those Americans who are disabled, whose cancer, traumatic brain injury, or arthritis is so severe that they cannot work, we have a Social Security disability benefit—benefits workers can pay for while working and count on when they can't work.

And for that reason, the operative word for these hearings really should be “improvement,” improvement of the Disability Insurance program.

I yield back, Mr. Chairman.

[The prepared statement of Mr. Becerra follows:]

**Social Security Subcommittee Hearing on Securing the
Future of the Social Security Disability Insurance Program
Committee on Ways and Means
December 2, 2011**

Mr. Chairman, thank you for calling this hearing.

Today, nearly every working American and his/her family is protected against the devastating consequences of premature death, career-ending disability, and insufficient retirement savings. They've earned the protection. They paid for it. It's called Social Security. The benefits...they are basic – nobody gets rich from Social Security – but they are reliable. And they are part of why America's middle class grew so strong.

Today we are beginning a series of hearings focused specifically on the Social Security Disability Insurance program, or 'DI.' I am glad we are. Because I believe in the program. It is vital. It provides irreplaceable economic security to those who have paid in but are no longer able to work through no fault of their own.

At the same time, let's be as honest as we are human: there is always room for improvement. And that, Mr. Chairman, is the operative word for these hearings: improvement! Are we here today, as representatives of those American workers, to strengthen Social Security's DI program? To reinforce that 'can do' optimism flowing in our DNA? Or are we signaling retreat? Retreat from the protections. Retreat from the services and benefits Americans paid for.

Severely Disabled Workers Have Earned the Right to Receive Disability Benefits, and They Rely On Them

Without Social Security, about half of Americans who receive its benefits would be living in poverty. This is particularly true for Americans who have become severely disabled, and who often have families to care for. I'm proud that our nation has established a system whereby workers can pay in during their working years, and can count on receiving insurance benefits should they become severely disabled, die, or retire. Remember, workers paid for their benefits – over its lifetime, Social Security has taken in \$14.6 trillion and so far has only had to pay out to contributing Americans \$12 trillion.

Let's be clear, it's not easy to qualify for disability benefits – and rightly so. DI is only for people who have paid into the system. And it's only available to those with the most severe impairments: Americans who are dying or who genuinely can't earn a living wage and whose disabilities are disabling for at least a year. Applicants for DI benefits also have to show extensive medical documentation of their disability in order to qualify.

When considering whether you can work, the Social Security Administration (SSA) looks at whether you can do any job in the economy – even if it's not your current profession or pays a lot less than your old job or requires you to move to a different city.

As a result of this strict eligibility criteria, you won't be surprised to learn that most people with illnesses or disabilities do not receive DI benefits – only the sickest people do. How sick? About one in seven Americans dies within a few years of becoming eligible for benefits. DI beneficiaries also tend to be older than the rest of the working population. That's not a surprise. We all know that our health tends to get worse as we age, despite our best efforts at the gym.

When I say DI provides a lifeline to ill and disabled workers and their families, I don't mean the benefits are overly generous. The average disabled American getting Social Security benefits today receives less than \$13,000 a year from the Social Security Trust Fund.

The Disability Program Grew Because Our Working Population Changed

If you simply compare the number of people getting DI benefits 40 years ago to the number getting benefits today, it is larger. But that is a loaded way of looking at it. A lot has changed in the last four decades.

For starters, women have entered the work force in large numbers. In 1975, there were about 37 million women in the workforce, while today there are 72 million. They are paying into the system, and should they become severely disabled, they qualify for benefits based on their contributions and earnings. Would anyone say that a woman who pays into Social Security and later receives DI benefits because she is severely disabled is a bad thing?

Likewise, many Baby Boomers are at the age where they're not yet eligible for retirement benefits. But, they are now much more likely to have a career-ending disability or illness. A 50-year old is roughly twice as likely as a 40-year old to be severely disabled. And a 60-year old is twice as likely to be disabled as the 50 year old. As much as we try to fight the aging process by exercising and eating lots of fruits and vegetables, we can't stop nature.

Economic factors also affect the program. Wage levels have risen in the last 40 years, as workers have become more productive and our economy has expanded. It means more money comes into the DI fund -- but it also means that benefits are higher, since DI is designed to keep up with improvements in wage levels and the overall standard of living.

Many observers have also noted that, in an increasingly competitive and globalized economy, the nature of work may be changing in ways that could make it more difficult to work with certain kinds of severe impairments. Finally, as a result of the Great Recession, some people who held a job in spite of a very severe illness or disability lost their jobs – and have been unable to find other work in any field. Some of them apply for the DI benefits they are entitled to. Why would we want to take away the benefits that people have earned when the economy changes, and they aren't able to earn a living due to illness or disability?

Once these demographic changes are accounted for – a larger workforce, an older population, more working women – the rate at which newly-disabled workers begin receiving benefits today, compared to the working population, is below what it was in the mid-1970s. To reinforce this point, the most recent estimate of the Social Security Trustees projects that this rate will actually decline during this decade and level off after 2020. Why? The Baby Boomers are reaching retirement age and will shift to the retirement program.

SSA Needs the Tools to Be a Good Steward of the Disability Trust Fund

Having said all of this, SSA needs to have enough people and technology to do a good job of managing the DI system. Unfortunately, today SSA is operating under a budget that this Congress cut imprudently. The result: the number of disabled Americans awaiting a decision from SSA on their application for earned benefits is again on the rise – despite previous years of progress in reducing the backlogs. Today, more than 1.5 million Americans are awaiting a decision on their application for benefits.

We've heard heart-wrenching testimony at earlier hearings about the hardship and suffering caused by long delays in processing applications – some Americans have lost their homes, their families, and even their lives while waiting for the benefits they had earned. A Californian who worked in construction for over 30 years became homeless as he waited for his benefits. An Army veteran in Maryland became homeless and in dire need of medical care before her hearing was held. A gentleman in Texas had to file for bankruptcy during the six years it took before he received the benefits he had earned. A mother of two small children in Ohio nearly had her home foreclosed while she awaited her hearing.

It is also essential to ensure that SSA is able to maintain program integrity. SSA needs to have sufficient resources to follow through on reviews of beneficiaries' continuing eligibility, to make sure that people whose health improves enough to return to work no longer receive benefits.

Providing Income Support to the Most-Disabled Americans is Just a Small Part of What We Should be Doing to Help the Larger Population of People with Disabilities

Over the years, we have built a vital infrastructure to make sure that people with disabilities can work if they're able. This means access to public education, vocational rehabilitation, transportation and housing. The Americans with Disabilities Act is there to make sure that people with disabilities have access to the workplace, including legal protections to make sure disabled workers are not discriminated against. And the Affordable Care Act, last year's historic healthcare reform, is a major step forward in guaranteeing health care for all Americans, including those with disabilities.

At the same time, for the smaller share of disabled Americans whose cancer, traumatic brain injury, or arthritis is so severe that they cannot work, we have Social Security disability benefits – benefits workers can pay for while working and count on when they can't work.

We should continue to improve all of these efforts to support work among disabled Americans. But we must also carefully protect earned DI benefits so that American workers who are fully incapacitated get the benefits they earned and that they need to care for themselves and their families.

Mr. Chairman, for more than 75 years, Social Security has improved the lives of retired, disabled and surviving family members of American workers. The Disability Insurance program is a vital part of Social Security's success. That's why I repeat that 'IMPROVEMENT' is the operative word for today's hearing.

Chairman JOHNSON. The gentleman's time has expired. Thank you, Mr. Boomer.

As is customary, any Member is welcome to submit a statement for the hearing record.

Chairman JOHNSON. Before we move on to our testimony today, I want to remind our witnesses to please limit their oral statement to 5 minutes. However, without objection, all written testimony will be made a part of the hearing record.

We have one panel today, and our witnesses who are seated at our table are: Steve Goss, who is the chief actuary at the Social Security Administration—thank you for being here; Virginia Reno, vice president for income security policy at the National Academy of Social Insurance; and Andrew Biggs, resident scholar at the American Enterprise Institute.

Thank you all again.

Mr. Goss, welcome, and you may proceed.

STATEMENT OF STEPHEN C. GOSS, CHIEF ACTUARY, SOCIAL SECURITY ADMINISTRATION

Mr. GOSS. Thank you very much, Chairman Johnson, Ranking Member Becerra, Members of the Committee. It is a pleasure to be here, and thanks for the opportunity to come and talk to you today about the Social Security Disability Insurance program.

I would like to talk to you about a couple of things today.

First of all, as has been stated, the Social Security Disability Insurance program provides benefits to almost 9 million workers today, a total of 11 million beneficiaries, including their family members, to the tune of about \$130 billion of expenditures—essential benefits for people who have been found to be quite severely disabled and not able to work.

It is clearly true that the administration of the Disability Insurance program, of any disability insurance program, is a challenge and is difficult. It is not like a retirement program, where we know when you reach 62. It is not like a life insurance program; we know when you die. Disability insurance is inherently more difficult to administer. And I am not here to be a cheerleader, but I would suggest that, in the years of experience I have seen, the Social Security Administration and the State disability determination services are doing a pretty good job of administering this program.

There are lots of challenges, though. I would like to talk to you about two things. One is the actuarial status of the Disability Insurance Trust Fund, and the other is the drivers that have really driven the cost of the program to be what it is today.

I have a slide, Figure 1 in the written testimony, which gives an illustration of what the trust fund levels are projected to be for the Social Security Disability Insurance program.

As Chairman Johnson mentioned, we are projecting about 2018 will be the year at which the trust fund will become exhausted for the Disability Insurance program. However, at that time, continuing tax income will still be sufficient to pay 86 percent of scheduled benefits. And, more important, that percentage does not decline very much. By the year 2085, we project we will still have enough tax income in to cover 83 percent of scheduled benefits. So

the program is on a sustainable course; it is just a little shy of funding.

In order to fully finance the program, we would have to have as much as a 16 percent reduction in benefits over the next 75 years or a 20 percent increase in revenue or some combination of the two.

This next slide, which is Figure 3 in the written testimony, puts in perspective what has happened with the Disability Insurance program. And it is the first look at what the drivers of the cost of the Social Security program are. We can break those into two kinds of drivers for the cost of the Social Security program.

One is the basic demographic drivers, which we have all talked about. We have heard mention of the baby boomers. The baby boomers are coming up into our retirement system over the next 20 years. But the real news to the Disability Insurance program is that they are already here. The baby boomers have already had maximum impact as of today for the cost of the Social Security Disability Insurance program. From 1990 to the year 2010, over that 20-year period, the baby-boom generation moved from ages 25 to 44, where not many people are disabled, to ages 45 to 64, where disability is highly prevalent. So we have already moved into the worst of times in terms of disability problems. The boomers are there.

And, thereafter, you can see on this chart that the cost of the Social Security Disability Insurance program as a percentage of our gross domestic product is about level, in fact even declining slightly. So we are at the peak of cost of Social Security now, and, actually, the cost goes down somewhat. We are at a shortfall, so it is something that needs to be addressed, but at least it is not projected to be getting worse.

So why is this? Well, we know on the basic demographic driver of population, we have already reached the worst. So where do we go from here? The next driver that is really worth looking at that is more disability-specific is one that is related to something that Mr. Becerra mentioned. More women have been working over the last 20 years, but, more importantly, more women have been working consistently enough to be insured for benefits under the Disability Insurance program.

And you can see on this chart, from 1970 to 2010, the percentage of women in our population who are insured for disability benefits should they become disabled has jumped from 35 percent to 70 percent. It has doubled. For men, the percentage has stayed about the same. And, at this point, men and women are very close together, and, therefore, we do not expect a lot of change in the future. We have had a massive increase in the number of women who are insured for disability. Men have stayed about the same. And, in the future, we expect this to be basically stable.

A second driver that we can look at for the cost of the program that has had a lot of influence over time is, of course, becoming disabled. If you are insured, the next step is, have you become disabled? We look at the number of people who become disabled each and every year.

You can see in this chart how up and down the numbers have been in the past, our percentage of people in the population that become disabled. They bounce around quite a bit between 1975 and

2010. But if you look at the line for the males, they have been around, 5 per 1,000 over the past 20 years, on average, and that is about what we project it will be in the future. So we don't expect a lot of change for the probability of becoming disabled amongst men.

Women, however, used to be much less likely to become disabled at any given age than men, but they have moved up. Just like with the insurance status, women have moved toward parity with men. We are reaching a point where women and men are now similar. And, going to the future, we expect stability on this too.

We have a chart here that gives some explanations of why we have moved up and down so much in terms of the disability incidence rates or the probability of becoming disabled. There are many factors: economic recessions; changes in policy that we will be talking more about.

But getting back to the basic drivers that have driven what has happened in the past, we have had the basic population, the tendency to become disabled, and the insured status, and when we put all those together, they explain a lot of why the female percentage of the population that is disabled, the probability of being disabled, has risen so much over the last 20 years.

Chairman JOHNSON. Can you sum up?

Mr. GOSS. Absolutely, yes. Virtually done. Thank you very much.

One additional change has occurred, that explains why even males have increased their percentage of the population that is disabled over this time. We have had a shift in our probability of becoming disabled toward younger ages for both men and women. Hopefully that is something we can talk more about.

These are the basic drivers that have driven the cost of Social Security up over the last 20 years. And we expect that it will be relatively stable in the future.

Thank you very much.

[The prepared statement of Mr. Goss follows:]

Securing the Future of the Social Security Disability Insurance Program

Testimony by Steve Goss, Chief Actuary, Social Security Administration

House Committee on Ways and Means, Subcommittee on Social Security

December 2, 2011

Chairman Johnson, Ranking Member Becerra, and members of the subcommittee, thank you very much for the opportunity to speak to you today about the Social Security Disability Insurance program. I would like to share thoughts on three topics: (1) the nature of disability insurance; (2) the financial status of the Disability Insurance program; and (3) the “drivers” of the cost of the Disability Insurance program.

(1) The Nature of Disability Insurance

Disability insurance is arguably the most difficult form of insurance to administer. It is easy to determine whether an insured person has reached retirement age or has died. It is also easy to determine whether a car is wrecked or a house destroyed. It is even relatively easy to determine if health insurance should cover doctor and hospital bills. However, disability is by nature a very subjective concept. Whether a “medically determinable impairment” eliminates the ability to engage in any “substantial gainful activity” depends on a myriad of issues related to a person’s residual functional capacity, past job experience, desire to work, and availability of suitable jobs. All of these issues differ among individuals, across geographic regions, and over time.

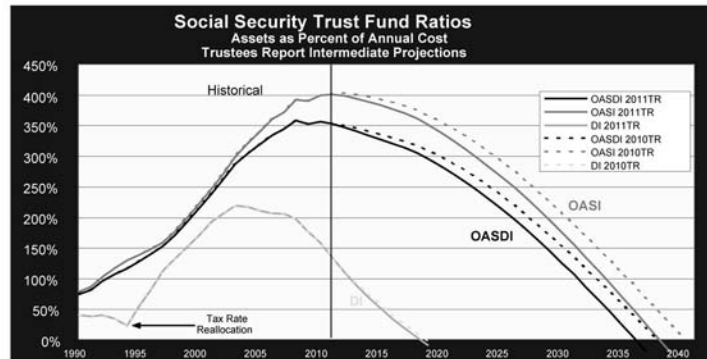
The determination of whether a person is disabled is a highly complex process subject to human judgment by the claimant, their representative, the claim examiner, and the medical consultant. Becoming disabled can be a gradual process. A person may not qualify when they initially apply, but may “cross the threshold” of disability during the appellate process or at a subsequent age resulting in reapplication. Initial disability determinations and periodic continuing disability reviews make administration of the Disability Insurance program an enormous challenge. The Social Security Administration meets this challenge effectively and efficiently. Accuracy rates in determinations are high, and multiple appeal steps are available to claimants. Yet, less than 2.5 percent of program expenditures are for administrative expense.

(2) The Financial Status of the Disability Insurance Program

The Disability Insurance Trust Fund assets expressed as a percent of annual program cost peaked in 2003. The 2011 Trustees Report projects assets to become exhausted in 2018, with continuing tax revenue sufficient to pay 86 percent of scheduled benefits thereafter. The unexpectedly large COLA for December 2011 and a lower-than-expected increase in average earnings for 2010 may exhaust trust fund reserves even earlier. For 2085, the Trustees Report projects continuing tax revenue will be sufficient to pay 83 percent of scheduled benefits.

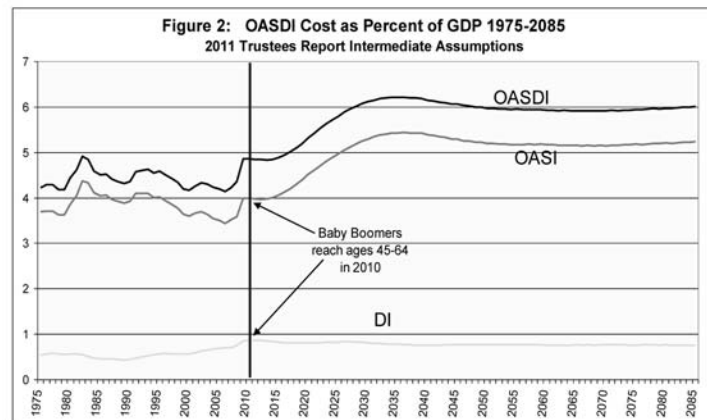
Sustainable solvency can be restored for the Disability Insurance program with a 16-percent reduction in benefits, a 20-percent increase in revenue, or some combination of these changes. Even in the absence of such change, a simple tax-rate reallocation between OASI and DI, as was

Figure 1: Status of Social Security OASI and DI Trust Funds

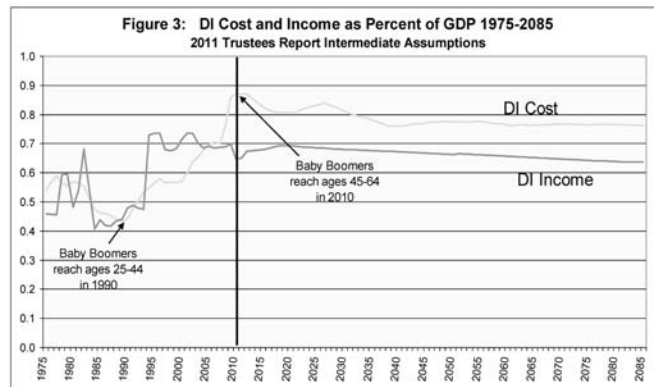


done in 1994, could equalize the financial prospects of the trust funds. We estimate that temporarily raising the Disability Insurance program's share of the 12.4-percent OASDI payroll tax rate from 1.8 to 2.2 percent for 2012 through 2024 and to 2.0 percent for 2025 through 2029 would make scheduled benefits payable for both OASI and DI beneficiaries until 2036.

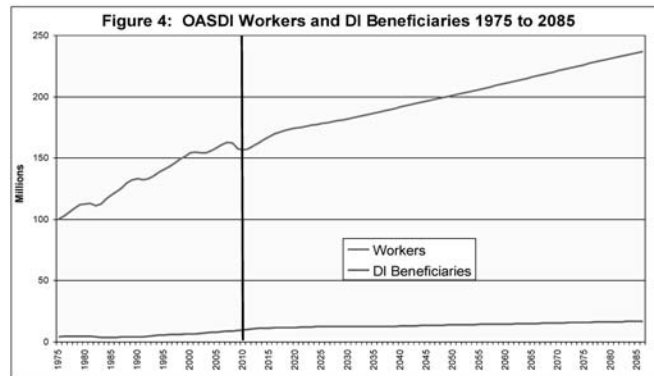
Overall OASDI cost will rise over the next 20 years as the baby boomers retire and are replaced in the working ages with lower-birth-rate generations born after 1965. The drop in birth rates after 1965 will cause a permanent shift in the age distribution of the population with fewer workers to support more elderly retirees.



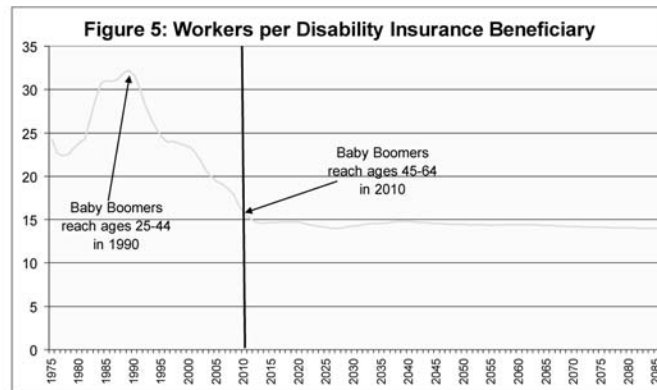
However, the baby boomers already moved from young ages (25-44) in 1990, where few were disabled, to older ages (45-64) in 2010, where many more are disabled. Thus, the 20-year demographic shift in the age-distribution of the population has already occurred for DI.



Lower birth rates slow population growth at all ages. We project similar but slower growth rates in both the workforce and DI beneficiaries for the future.

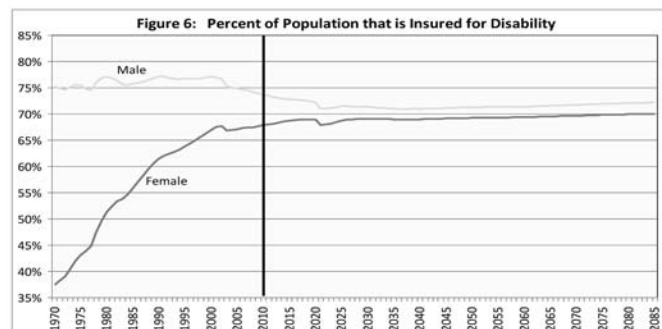


As a result, the number of workers per DI beneficiary is expected to be relatively stable in the future. This means that restoring sustainable solvency for the DI program will not require continually greater benefit cuts or revenue increases. A one-time change to offset the drop in birth rate is all that is needed to sustain the DI program for the foreseeable future.



(3) The “Drivers” of the Cost of the Disability Insurance Program

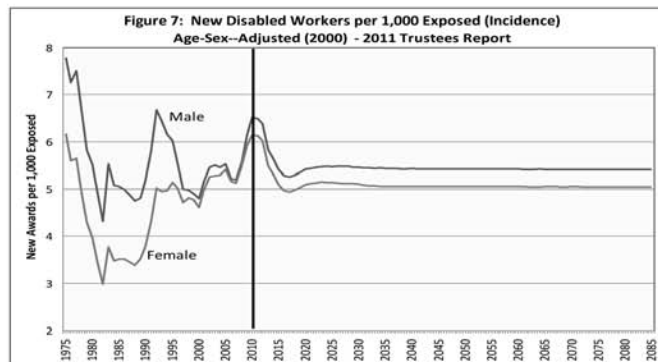
Several drivers specific to DI program cost will be changing in the future. The first important driver is the size of the disability-insured population. Since 1970, this population grew explosively as increasing numbers of women worked consistently and stayed insured.



In the future, we project that men will be less likely to be insured, reflecting increased restrictions on undocumented aliens after 2001, and insured rates for women will stabilize close to men. This change will substantially slow the growth in the cost of the DI program.

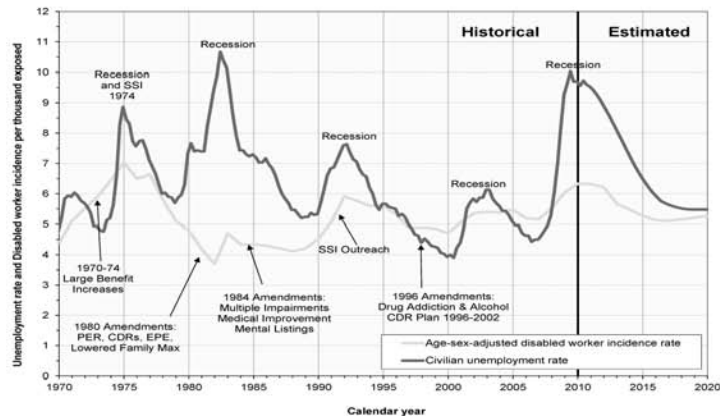
The second important driver of DI cost is rate at which insured workers become newly disabled. Changes in the rate of disability *incidence* are best seen by excluding the effects of any change in the age-distribution of the general population. For men, this *age-adjusted* incidence rate has

averaged somewhat over five new disability awards per thousand exposed (insured but not already disabled) workers and has seldom been below this level. Since 1980, the age-adjusted incidence rate for women has been moving up to a level much closer to men. We expect that male and female age-adjusted disability incidence rates will be fairly stable in the future.



A more careful look at past fluctuations in the overall age-sex-adjusted disability incidence rate reveals a number of specific economic and policy drivers that have influenced disability cost. Periodic economic recessions, as illustrated by the civilian unemployment rate in bright orange in the figure below, have been associated with temporary increases in disability incidence.

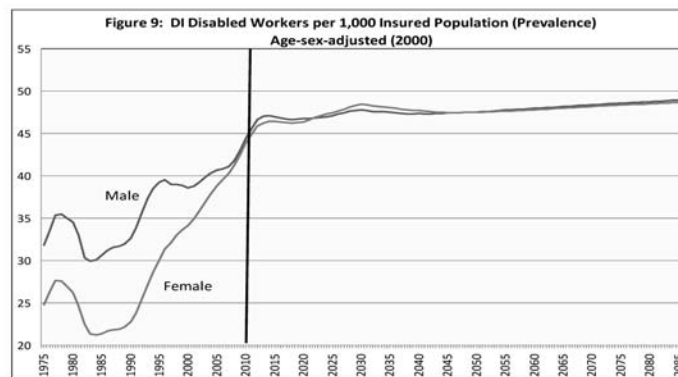
Figure 8: Effects of Economic Cycles and Policy Changes on DI Incidence Rates



The very recent recession of 2008-2009 resulted in an increase in disability incidence that was exceeded only by the incidence rate in 1975. One apparent exception to the relationship between disability incidence and economic recessions is the strong recession of 1981-1982. Here the effect of the recession appears to have been offset by the net effects of the 1980 Amendments, which: (1) sharply increased the levels of pre-effectuation review of disability allowances and continuing disability reviews of current beneficiaries; (2) introduced the extended period of disability to encourage work; and (3) lowered the maximum family benefit for DI beneficiaries.

Additional policy changes over the years had significant effects on disability incidence. Double-digit ad-hoc benefit increases in 1970 through 1974 made disability benefits more attractive. The 1984 Amendments may have countered the effects of a strong economic recovery with increased emphasis on multiple impairments and mental listings, and requirement to show medical improvement for benefit cessation. The SSI outreach to disabled adults likely added to the effects of the 1990-1991 recession. Also, the 1996 Amendments may have partially counteracted the effects of a strong economic recovery with elimination of drug addiction and alcoholism as disabling impairments, and effecting a 7-year plan to eliminate a backlog of continuing disability reviews. Future policy changes and economic cycles will undoubtedly continue to cause fluctuations in disability incidence rates.

Disability incidence rates tell us the rate at which healthy workers become newly disabled. The cost of providing benefits to disabled workers also depends on how long their disability lasts. Disability incidence and length of the period of disability can be combined by considering the number of insured workers who are currently disabled at each age, regardless of how long ago they became newly disabled. Disability *prevalence* rates are simply the percent of the insured population at a given age that is currently receiving disabled worker benefits, regardless of when benefits started. *Age-sex-adjusted* disability prevalence rates eliminate the effects of changing population age distribution and isolate the effects of disability-specific drivers.

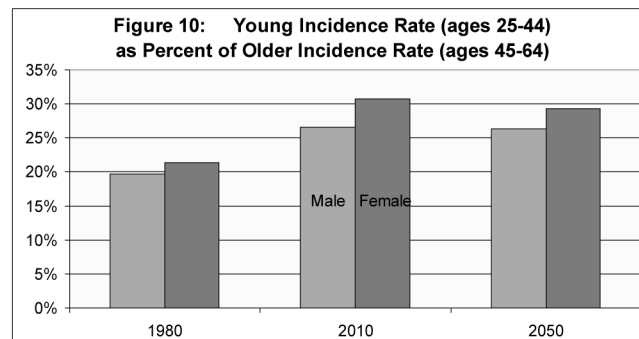


The figure above shows that the age-sex adjusted disability prevalence rate for men increased by about a third between 1990 and 2010, even though age-sex-adjusted incidence rates were fairly stable over the observed period 1970-2010. Female prevalence rates increased even more because their age-sex-adjusted incidence rates did increase over the observed period.

The reason for the rise in male age-sex-adjusted disability prevalence between 1990 and 2010 lies in the age distribution of disability incidence rates. While the overall age-sex-adjusted incidence rate was fairly stable for men, a relative shift toward new disabled-worker awards at younger ages explains the prevalence increase. All else being equal, shifting new disability incidence from ages 45-64 to ages 25-44 will increase the total number of beneficiaries, or prevalence, because the younger awardees may remain disabled for many more years.

The figure below illustrates the degree to which disability incidence rates at ages 25-44 grew relative to incidence rates at ages 45-64, both for men and women, between 1980 and 2010. The shift toward relatively lower ages of disability incidence was even stronger for women than for men. This, combined with the age-sex-adjusted increase in disability incidence for women, largely explains the historical increase in prevalence rates for women.

The shift toward relatively lower ages in disability incidence rates stabilized after 2000. We expect that the relative incidence rates by age will continue to be stable in the future. This, combined with stable age-sex-adjusted overall incidence rates, explains our relatively stable projection of future age-sex-adjusted disability prevalence rates.



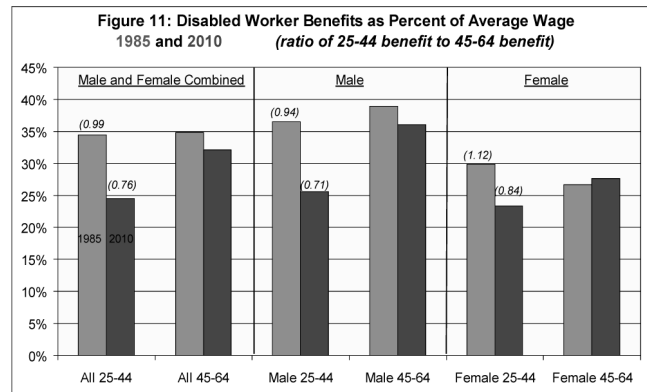
While we feel fairly confident about projections for the future, two questions remain about the past: (1) why did disability incidence grow at younger ages relative to older ages; and (2) are there any special characteristics of the additional, younger disabled worker awards?

Due to the complexity of the disability criteria and determination process, and the nature of disability, it is very difficult to determine why incidence rates at younger ages rose from the levels in

1975-1985 to the levels in 2000-2010. However, we can gain some insight into both questions by considering the characteristics of younger versus older disability beneficiaries over time. For example, we can consider (a) relative benefit levels across ages and (b) the distribution of primary diagnosis for younger versus older disabled worker awards.

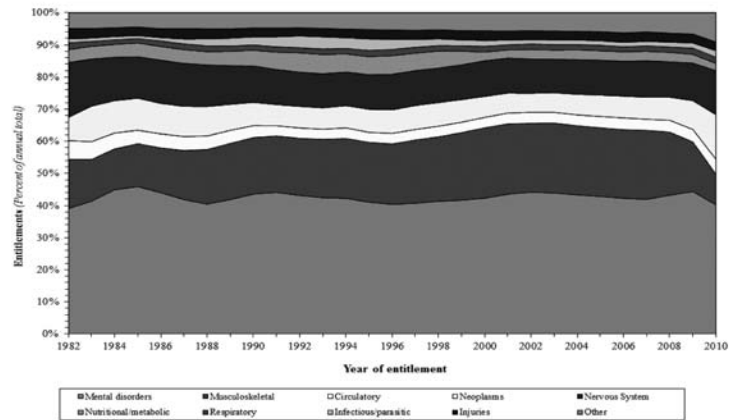
The chart below provides an interesting comparison of benefit levels for younger versus older disabled worker beneficiaries in 1985 and 2010. For each group, the average benefit level is expressed as a percentage of the national average wage index (AWI) for the year.

In 1985, the average benefit level for all younger beneficiaries (age 25-44) was very close to the average benefit level of older beneficiaries (45-64). By 2010, the average benefit level for younger beneficiaries was 24 percent lower than that for older beneficiaries. The change is similar for men and women considered separately. This suggests that the increase in younger disabled worker awards between 1985 and 2010 came from insured workers with low career-average earnings levels, either because they were low paid workers or because they had intermittent employment. The implication for future average benefit levels is also interesting. As the recent younger beneficiaries with low benefit levels age, they will gradually restrain the growth in the average benefit level for older beneficiaries in 2030 and later. Thus, the increase in disability prevalence from younger disabled worker awards will be partly mitigated by lower future benefit levels.



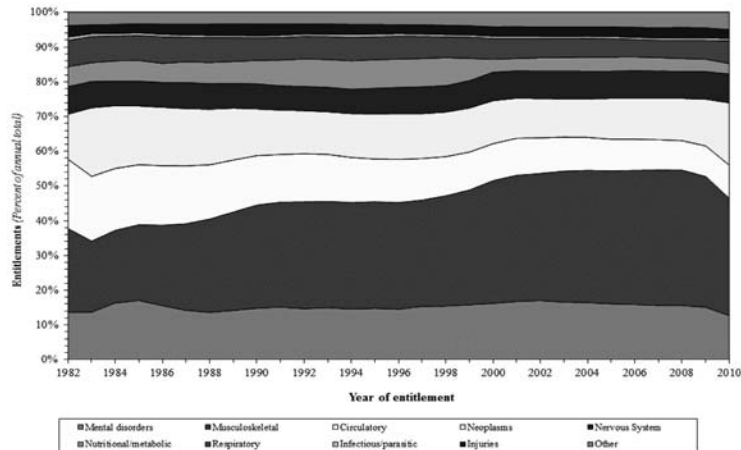
A second characteristic we can consider regarding younger versus older disabled worker beneficiaries is any change in awards by category of medically determinable impairment (primary diagnosis code). The figure below shows that even though the number of female disabled worker awards at younger ages has risen rapidly, the distribution by diagnosis has remained very stable. The pattern for younger men is very similar.

Figure 12: Distribution of New Female Disabled Workers at Ages 30-39 by Primary Diagnosis



At higher ages, female disabled worker awards show increases in musculoskeletal diagnoses and decreases in circulatory diagnoses. The patterns for males are also similar at these older ages. These effects do not appear to explain the increase in young awards.

Figure 13: Distribution of New Female Disabled Workers at Ages 50-59 by Primary Diagnosis



Conclusion

Disability insurance is highly complex and challenging to administer. General demographic changes have increased the cost of the DI program over the past 20 years in much the same way that demographics will raise OASI and Medicare costs over the next 20 years. Disability insured rates have increased substantially for women, as have age-sex-adjusted incidence rates for younger insured women, further contributing to higher DI cost. However, all of these trends have stabilized or are expected to do so in the future.

We project that the number of DI beneficiaries will continue to increase in the future, but only at about the rate of increase in workers. Thus, the current shortfall in tax income compared to DI program cost is projected to be stable in the future. Restoring sustainable solvency for the DI program requires about a 16-percent reduction in benefits, a 20-percent increase in revenue, or some combination of these changes. Even if such changes are not effected soon, a modest reallocation of the total OASDI payroll tax can be enacted prior to 2018 that would equalize the actuarial status of the OASI and DI programs, allowing both to pay full scheduled benefits until 2036.



Chairman JOHNSON. Thank you.

We are facing a vote here in about 10 or 15 minutes. And what we intend to do is go ahead with your testimony, and, should a vote be called, it will be a long one and we will not continue this hearing. What we will do is ask our members to submit questions to you in writing, and hopefully you all will be able to answer them.

Mr. BECERRA. And, Mr. Chairman, to clarify, we will go as long as we can before the votes are—

Chairman JOHNSON. Yes, of course.

Ms. Reno, welcome. Please go ahead.

STATEMENT OF VIRGINIA P. RENO, VICE PRESIDENT FOR INCOME SECURITY POLICY, NATIONAL ACADEMY OF SOCIAL INSURANCE

Ms. RENO. Thank you. Thank you, Chairman Johnson, Ranking Member Becerra, and other Members of the Committee. I am delighted to have the chance to talk to you today about the Disability Insurance program.

I will make the following points very quickly. First, the growth in the program is due largely to demographics, and I will skip over that because Steve Goss has covered that very well. Second, people who get the benefits rely very heavily on them, and, as a society, we need this protection. Third, the eligibility rules for getting benefits are very strict, and they do not appear to have become more lenient over time. Lastly, the program does appear to be affordable out into the long-term future, as the actuarial projections show, if we are willing to pay for it. And, yes, there is room for improvement.

On the question, “do people need the benefits?,” benefits are an essential lifeline to those who receive them. That is nearly 9 million Americans. Nearly half of the people who get benefits rely on those benefits for almost all their income.

The benefits, yet, are modest: an average of less than \$13,000 a year for a disabled worker, which is a little more than the poverty threshold for one living alone. For a disabled worker with eligible children, the average benefit is under \$20,000 a year. That is a little more than the poverty threshold for a family of three, but not much. But the disability program helps account for the fact that Social Security lifts over 5 million working-age people out of poverty.

This is insurance that people pay for through premiums that come out of their paychecks. And the fact that it is insurance is critically important. People simply can’t save enough on their own to cover the risk of disability. This is a risk that absolutely requires insurance, because few of us do become disabled but the results are devastating when it happens.

This insurance is also most efficient if it is universal through Social Security. We all need it and it is important to preserve this.

On the eligibility rules, they are very strict: inability to engage in any substantial gainful activity by reason of an impairment that, as determined by medical evidence, is expected to last at least a year or result in death. “Substantial gainful activity” in this context means ability to earn a \$1,000 a month or more.

The test considers your capacity to do any work that exists in the national economy, not just work you have done before. So this test is stricter than in private disability insurance systems, in most cases. It is stricter than workers' compensation and veterans' compensation, which pay partial benefits for partial disabilities. And it does require clear medical evidence to document the existence of the condition and the functional limitations imposed by that condition.

As partial evidence of the strictness of the rules, we have looked at research over the years about what happens to people who are denied benefits. A new RAND study issued just this year looked at people denied benefits and found that 20 to 30 percent of those who had been denied did engage in substantial gainful activity.

What does this mean? It means that, for that 20 or 30 percent, Social Security's decision to deny the benefits was correct. They can, in fact, work, according to the rules of the program. But, at the same time, 70 to 80 percent of the people turned down for benefits did not go back to work. This suggests that many people who have applied for benefits and are being denied do, nonetheless, have significant impediments to work. This does not necessarily mean we should be liberalizing the rules, but it is simply a cautionary tale about the notion that the program is becoming too lenient.

A blue-ribbon panel of the National Academy of Social Insurance reviewed all past studies of the program of denied applicants for disability insurance benefits from 1964 to the 1990s. It found that fewer than half of denied applicants later worked. The nonworking denied applicants were generally poor; they relied mainly on income of other family members or limited welfare payments.

So, to recap, the history of our DI outlays, as Steve Goss pointed out, shows that, by and large, the program is keeping up with our growing workforce and our aging workforce, as boomers are passing through their high disability years. Clearly, people need the benefits, and, as a society, we need the protection. The rules for getting benefits appear to be very strict. The program is affordable and sustainable going forward if we are willing to pay for it. And, yes, there is room for improvement.

[The prepared statement of Ms. Reno follows:]

Statement of Virginia P. Reno
Vice President for Income Security Policy
National Academy of Social Insurance

Securing the Future of the Social Security Disability Insurance Program
December 2, 2011
B-318 Rayburn House Office Building

Good morning. Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee. Thank you for inviting me to appear at this hearing on ***Securing the Future of the Social Security Disability Insurance Program***. My remarks are informed by research conducted by the National Academy of Social Insurance (NASI), including a landmark study by a blue-ribbon Disability Policy Panel that conducted a comprehensive review of the Social Security disability insurance (SSDI) program at the request of former leaders of this committee. We were asked to consider whether the program is a strong deterrent to work and to develop low-cost ways to better link beneficiaries with rehabilitation and return to work without jeopardizing benefits for those who cannot work. The Panel's report, ***Balancing Security and Opportunity: The Challenge of Disability Income Policy***, became the blueprint for the Ticket to Work and Work Incentive Improvement Act of 1999 and it remains a valuable reference for understanding the history of SSDI, its purpose, and its relationship to the Americans with Disabilities Act and other policies that affect individuals with disabilities.

My remarks today are informed by NASI research, but do not reflect an official position of the Academy. Our 900 members who are leading experts on social insurance do not attempt to speak with one voice. My remarks today cover: the importance of SSDI for beneficiaries; insights from history; drivers of program growth; and current and future financing challenges.

IMPORTANCE OF DISABILITY INSURANCE BENEFITS

Social Security disability insurance (SSDI) is an essential lifeline for millions of Americans. Without it, many families would be in deep financial distress. In August 2011, 8.5 million former workers received disabled-worker benefits, as did 1.8 million of their children. The average disabled worker benefit is modest – \$1,070 a month, or about \$12,820 a year – which is just above the poverty guideline for individuals living alone (\$10,890). Those with one or more dependent children had average family benefits of \$1,640, or \$19,690 a year, close to the poverty guideline for a family of three (\$18,530). Disabled-worker beneficiaries account for many of the 5.3 million working-age Americans who are lifted out of poverty by Social Security (Van de Water & Sherman, 2010). For many, Social

Security is almost all the income they have. Nearly half (46 percent) of disabled-worker beneficiaries rely on benefits for 90 percent or more of their total personal income (DeCesaro & Hemmeter, 2008).

The benefits are insurance that workers pay for through premiums deducted from their pay. In return, workers gain the right to monthly benefits if a disabling condition ends their capacity to earn a living. This insurance role of SSDI remains critically important. It is not made obsolete by the Americans with Disabilities Act (ADA) or by advances in medicine and assistive technology. Such developments expand opportunities for some people with disabilities. But others with disabilities face increasing impediments to work as the demands of work change.

The test of disability for SSDI is very strict – inability to engage in any substantial gainful activity due to physical or mental impairments expected to last at least a year or result in prior death. Many Americans with disabilities work in spite of their impairments, and many individuals who apply for SSDI do not meet the strict test of eligibility.

Broadly speaking, the goals of national disability policy are to fully integrate people with disabilities into all aspects of American society – including equal opportunity, independent living, and economic self-sufficiency. These goals are pursued through varied systems that provide access to health care, appropriate education, rehabilitation, legal protections against discrimination, and wage replacement income when work incapacity strikes.

LESSONS FROM HISTORY

NASI's Disability Policy Panel reports include a comprehensive history of the SSDI program (Mashaw & Reno, 1996a and 1996b). Many insights from their report remain timely today. I will mention three.

A bad economy is a huge barrier to employment for individuals with disabilities.

Applications for disability benefits have increased in nearly every economic recession since the program began.¹ When jobs are plentiful and employers are competing for qualified workers, they are highly motivated to accommodate qualified job-seekers with disabilities. When jobs are scarce and firms are laying off workers, those with disabilities who lose their jobs (particularly at older ages) have few prospects for finding work. This is evident in the current downturn. With the overall unemployment rate over nine percent for working-age adults, those with disabilities experienced an unemployment

¹ The single exception is the recession of 1980-81 that coincided with harsh retrenchment policies in adjudicating new claims and reviewing continuing eligibility of those receiving benefits.

rate nearly twice as high, at 17 percent in August 2011 (Bureau of Labor Statistics, 2011). It comes as no surprise that economic recessions increase the likelihood that workers with physical or mental impairments will turn to disability benefits when they lose their jobs and exhaust other resources. While many do not meet the strict test of disability in the Social Security Act, some do. The increase in disability claims during economic downturns is evident in the history of SSDI, in private disability insurance, and in foreign systems. We see this now in the long wake of the Great Recession.

Recovery and return to work is better than commonly thought.

The Disability Policy Panel took advantage of unique longitudinal data to find that recovery and return to work by people receiving SSDI was much better than commonly thought. Newly available data confirm these findings and, in doing so, contradict the conventional notion that fewer than one-half of one percent of SSDI beneficiaries leave the rolls to return to work. New Social Security Administration (SSA) data (2011b) that follow people over 10 years after they began SSDI in 1996 find that:

- Just over a quarter (28 percent) had shifted to retirement benefits (including those who died after age 65);
- Nearly a quarter (23 percent) died before reaching retirement age;
- Four percent had benefits terminated because they recovered or returned to work; and
- Less than half (45 percent) were still receiving SSDI.
- The rate of recovery or return to work is 8 percent when based on those still alive and younger than retirement age.

These are more promising findings about recovery and return to work, as well as sobering results about the high rate of death among new beneficiaries.

Many more SSDI beneficiaries work to some degree, even if they do not earn enough to have benefits terminated (Liu & Stapleton, 2010). Young SSDI recipients were most likely to have worked at all and to have left benefits because of work. Of those under 40 when they began benefits in 1996, fully 46 percent had worked in at least one year of the following 10 years. They include 20 percent who completed a trial work period, 16 percent who had benefits suspended after finding work, and 10 percent whose benefits were ultimately terminated due to work.

Adequate administrative resources are essential to equitably serve applicants, beneficiaries and taxpayers.

The Disability Panel concluded that efforts to administer the SSDI program without adequate resources ill serve applicants, beneficiaries, and taxpayers. Investment in administrative resources is in relation to the size of the program, at 2.3 percent of program outgo in 2010. Resources need to be adequate to ensure: (1) fair, accurate, and prompt decisions on disability claims and appeals; (2) appropriate service to beneficiaries who seek to work, including accurate information and prompt action to adjust benefits to avoid overpayments, which can make work attempts risky; and (3) timely and predictable review of the continuing eligibility of those receiving benefits.

DRIVERS OF PROGRAM GROWTH

When properly measured, participation in the SSDI program has increased modestly. Looking only at raw numbers, recipients roughly doubled between 1995 and 2011 (Figure 1), but that is a misleading measure of prevalence. The number of beneficiaries increased, in large part, because the workforce grew, more women had worked long enough to be insured for benefits, and the large cohort of baby boomers entered their disability-prone years (Ruffing, 2010 and 2011). To elaborate:

More Women are Insured for Disability Benefits

To be insured for disability benefits, one must have worked during at least one-fourth of his/her adult lifetime and during five of the ten years before disability onset. Until the great influx of women into the workforce during the 1970s and 80s, relatively few women met those tests. As recently as 1990, male disabled workers outnumbered women by nearly two to one. Now that more women have worked long enough to be insured for disability benefits, more women receive them.

Baby Boomers are Entering their Disability-Prone Years

The risk of work disabilities that meet the SSDI test rises sharply with age. People are roughly twice as likely to be disabled at age 50 as at age 40, and twice again as likely to be disabled at age 60 as at age 50. As baby boomers (people born in 1946 through 1964) enter their 50s and 60s, more people are disabled and thus receive benefits.

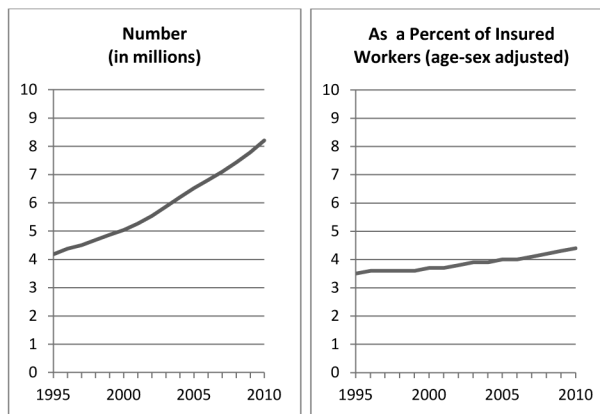
Social Security's Full Retirement Age Went Up From 65 to 66

When SSDI beneficiaries reach the full retirement age, they shift from disability to retirement benefits. The increase in the retirement age has delayed that shift. In December 2010, over 300,000

people between 65 and 66 were collecting disability benefits; under the rules in place a decade ago, they would instead be classified as retired (SSA, 2010).

The Social Security actuaries use an “age- and sex-adjusted disability prevalence rate” that controls for the increase in the insured population and the aging of the working-age population. Between 1995 and 2011, it rose from 3.5 to 4.4 percent – an increase, to be sure, but not as dramatic as some alarmists portray (Board of Trustees, 2011).

Figure 1: Disabled Worker Beneficiaries, 1995 – 2010



Source: Board of Trustees, 2011.

The recent increase in prevalence since 2007 reflects the weak economy and persistently high unemployment following the Great Recession. Other possible causes for increasing prevalence of SSDI receipt include declining health coverage and a less forgiving workplace.

Decline in Health Coverage

Over the past decade, more working-age Americans were without health coverage from either private insurance or government programs. The uninsured increased from 16 percent to 22 percent of 18 to 64-year-olds between 2000 and 2010 (Table 1). Health coverage declined for all age groups, but was most pronounced among Americans aged 25-54. Without health coverage, workers are at risk of missing care that could prevent or delay the onset of conditions that lead to work incapacity.

Table 1. Percent of U.S. adults under 65 without health coverage, by age, 2000 and 2010		
	2000	2010
Total 18-64	16.4	21.8
18-24	25.7	27.2
25-34	20.2	28.4
35-44	14.5	21.8
45-54	11.1	18.0
55-64	11.6	14.4

Source: U.S. Census Bureau, 2011a; Table C-3.

A Less Forgiving World of Work

Various economic studies have sought to understand the decline since 1990 in employment among men who have work-limiting health problems. Several suggest that the availability of SSDI benefits is a leading cause (Autor & Duggan, 2003; Burkhauser & Daly, 2011). Economist John Bound and colleagues (2010) find little or no evidence for this explanation. In fact, they find that much of the decline in employment was among men with work-limitations who did *not* receive SSDI. They conclude that the underlying cause may be a genuine decline in demand for the labor of less-skilled, low-paid men with work-limiting health problems.

This diagnosis matches anecdotal insights discussed at a past NASI conference that asked: "Where are the jobs for people with disabilities?" A senior vice president of the Committee for Economic Development identified "the less forgiving world" to describe challenges faced by less-skilled workers with disabilities. "More intense competition has brought a less forgiving world. ... Many risks are now borne by workers in ways that they were not in the old economy where firms were more paternalistic. ... Intensified competition is a double-edged sword. ... As skills become more valuable, the cost of discriminating against skilled disabled workers might become higher. ... As less skilled workers become relatively less valuable, incentives to accommodate their disabilities diminish" (Ooms, 1997). Many who end up receiving SSDI have double disadvantages of significant health problems and limited educational attainment. About 70 percent of SSDI beneficiaries have no more than a high school education. They include 34 percent who lack a high school diploma or GED certificate (Livermore, Stapleton, & Roche, 2009) compared to about 13 percent of the entire working age population (U.S. Census Bureau, 2011b).

A less forgiving workplace can also limit opportunities for individuals with mental impairments. Such conditions are a growing cause of work disability and are the primary diagnosis for one third of disabled worker beneficiaries today (SSA, 2011a). The executive director of the Mental Health Policy Resource Center and an advocate for people with mental illness described how the changing demands

of work affect people with mental disabilities. Downsizing and streamlining place greater value on employees' speed, productivity and flexibility. Workers with mental disabilities have a harder time adapting to this kind of environment, and employers are less likely to accommodate people who have difficulty meeting the new demands (Scallet, 1997). A review of experience under the ADA also finds that workers with mental disorders face particular barriers to on-the-job accommodations (Lee, 2008).

FINANCING CHALLENGES

Social Security disability insurance remains sustainable and affordable despite the recent modest increase in prevalence of receipt and an upturn in applications following the Great Recession. Of the 6.2 percent of wages up to \$106,800 a year that workers and employers each pay for Social Security, 0.9 percent is the premium for SSDI; the rest pays for old-age and survivors insurance (OASI).² Viewed separately, the DI fund can cover scheduled benefits until 2018 and the OASI fund can do so until 2038. Combining the two funds shows that lawmakers could reallocate the 6.2 percent premium to equalize the solvency of the two funds, as they have done before, most recently in 1994. The change then was expected to keep DI in balance until 2016. Lawmakers could act in the next few years to reallocate the rate so that both funds would cover all benefits until 2036. After that, new revenues coming in would cover about three fourths of benefits due.

Sustainability is not merely a function of what the program costs. Both sustainability and affordability depend on what Americans are willing to pay. Americans repeatedly report in surveys that they support Social Security and they don't mind paying for it because they value it for themselves, their families, and for the stability it provides to millions of other people who depend on it. Given a choice, they would rather pay more than see benefits cut (Reno & Lavery, 2009; Hess, Hayes & Hartmann, 2011). The additional funds needed to pay all Social Security benefits for the very long term are modest as a share of the total economy. The trustees (2011) project that total Social Security outgo will increase from 4.9 to 6.2 percent of gross domestic product (GDP) between now and 2035 as baby boomers retire, and then remain about 6.0 percent for the rest of the next 75 years (SSDI alone will be about 0.76 percent of GDP then). An increase in spending of 1.3 percent of GDP as boomers retire is affordable; it is much less than the increase of 2.5 percent of GDP that the nation spent on public education as boomers passed from kindergarten through college (SSA, 1991; Reno & Lavery, 2006).

² The trust funds also receive income from taxes that upper-income beneficiaries pay on their benefits and from interest earned on trust fund reserves that are invested in Treasury securities. The trustees (2011) project that the two funds combined can pay all benefits until 2036.

Thank you for the opportunity to speak about the importance of the Social Security disability insurance program, lessons we have drawn from studying its history, reasons for recent growth in the program, and prospects for financing it into the long-term future. I will be happy to answer any questions you may have.

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Chairman JOHNSON. Thank you, ma'am.
Dr. Biggs, you are recognized for 5 minutes.

**STATEMENT OF ANDREW G. BIGGS, PH.D., RESIDENT
SCHOLAR, AMERICAN ENTERPRISE INSTITUTE**

Mr. BIGGS. Thank you very much.

Chairman Johnson, Ranking Member Becerra, Members of the Committee, thank you for the opportunity to testify today with regard to the future of the Social Security Disability Insurance program, which pays benefits to almost 9 million disabled Americans and, perhaps more importantly, provides protection against disability to over 150 million workers.

Much of the increase in Disability Insurance costs, as documented by Steve Goss, are attributable to the aging of the population, as individuals shift into the years in which they are most likely to become disabled. But much of the cost increase is attributable to increases in disability over and above what an aging population would imply.

These increases are puzzling, given that self-reported disability rates recorded by the Census Bureau have remained roughly constant over the past 3 decades. Given the aging of the population, these self-reported disability rates, in which individuals report whether they suffer from a disability that impairs their ability to engage in work—given the aging of the population, these self-reported rates should have risen. So we have a puzzle. This implies that the age-adjusted disability rates likely have fallen in terms of self-reported rates—the opposite of what we have seen in terms of program allowances.

Lower self-reported disability rates makes sense, though, when you consider higher incomes, improved technologies in health, and less physically demanding jobs. Remember that in the past many Americans worked in factories, mills, and mines, which exacted a significant cost to their health. If there is an upside to this shift to a service economy, it is that the health of workers should improve.

Whatever the causes, the data seem to reflect improving health and lower self-reported disability among working-age Americans, and yet caseloads continue to increase. The percentage of Americans with self-reported disabilities who are in the workforce today dropped by almost half since 1980.

The key to reform is incentives for employers to provide rehabilitation and accommodation rather than to shift disabled employees out of the workforce and onto the DI rolls. Under current law, a disabled employee represents a cost to employers that can be eliminated if the employee goes on DI. SSA, likewise, cannot provide re-employment assistance until after an individual has been approved for DI, a process that can take years, during which time the worker's skills and motivation decline. At the crucial time in which a disabled worker might be helped to remain a worker, no one really has the incentive to do so.

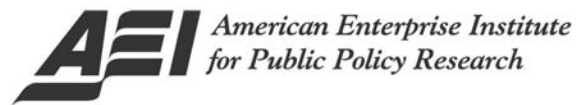
Proposed reforms are designed to give employers greater incentives to keep workers working. Disability reforms passed in the Netherlands over the past decade or so have worked from this model and have helped reduce what was among the highest dis-

ability rates in the world to levels that are comparable to those in the United States.

The lesson is that reform cannot think solely in terms of the program's finances—of finding a combination of tax rates and benefit levels that keep the system solvent over the long term. A sustainable solution goes beyond simply saying “no” to DI applicants but finding ways to keep Americans with disabilities on the job and integrated into society.

Thank you very much.

[The prepared statement of Mr. Biggs follows:]



Statement before the United States House of Representatives
Committee on Ways and Means
Social Security Subcommittee

Hearing on Securing the Future of the Social Security Disability
Insurance (SSDI) Program

Andrew G. Biggs, Ph.D.
Resident Scholar
American Enterprise Institute

December 2, 2011

The views expressed in this testimony are those of the author alone and do not necessarily represent those of the American Enterprise Institute.

Social Security's Disability Insurance (DI) program pays benefits to over 8 million disabled Americans, along with an additional 2 million dependents. Perhaps more importantly, it provides *protection* against disability for over 150 million workers. But over the past two decades, the share of working age Americans collecting disability insurance payments has doubled, from 2.3 to 4.6 percent of the population aged 25 to 64, with the largest increases coming among women. As a result, inflation adjusted costs have roughly tripled over that time period to over \$125 billion in 2010, with at least \$70 billion more in Medicare expenditures on the disabled. DI may not receive the same level of public attention as the retirement portion of Social Security, but it is clearly a large program both in terms of its costs to the taxpayer and its impact on Americans' lives.

Unfortunately, the Disability Insurance program is also under considerable financial strain. While we generally consider the Social Security program's finances as a whole, legally the DI program is distinct from the Old-Age and Survivors (OASI) program with its own payroll tax and its own trust fund. Under the Trustees intermediate cost projections, the DI trust fund will become insolvent in 2018. By 2018, DI payroll tax and other revenues would be sufficient to pay only around 86 percent of scheduled benefits, with further reductions in coming years. Put simply, DI's fiscal shortfalls are no longer a long-term problem that can be put off indefinitely.

History shows that the size and structure of the Disability Insurance program is under Congress's control, far more so than the demographically-driven Old Age and Survivors Insurance program. What is necessary is for Congress to regain control of the DI program through careful judgments regarding the goals of the program. Who is and isn't disabled is not a question in the same sense as asking whether a given person has reached the full retirement age or attained sufficient quarters of coverage to qualify for retirement benefits. Disability covers a broad spectrum of issues and Congress is within its power and authority to decide where on that spectrum government assistance should be provided.

The increasing size and cost of the DI program may be puzzling given its origins as a relatively modest "add-on" to Social Security. The growth of the DI program was not a matter of single "big bang" reform but of a slow and steady expansion of the program's scope and

generosity. For instance, when DI began in 1956 it was restricted to workers between the ages of 50 and 64 who had a substantial work history and who became permanently disabled with no expected return to work. As a result, the number of beneficiaries as of 1959 was only around 330,000, equal to about 0.3 percent of the working age population.¹

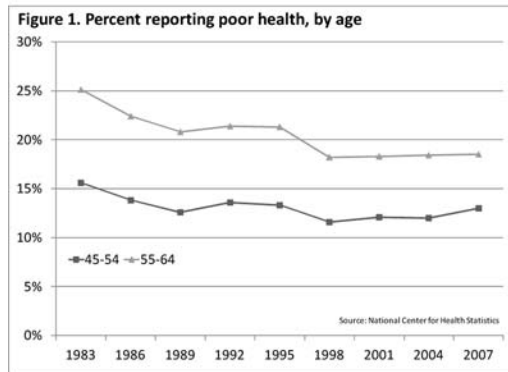
However, what began as a modest program grew over time. In 1958, the program was expanded to provide benefits for dependents of disabled workers. In 1960 the minimum age restriction of 50 for DI benefits was eliminated. The Social Security Amendments of 1965 eliminated the requirement that disability be permanent, substituting a requirement that the individual be unable to work for 12 or more months. Moreover, during the 1960s court judgments made it easier to qualify for DI benefits by, for instance, placing a greater burden on the government to illustrate jobs for which applicants might be hired or limiting the geographic region in which potential jobs might be located. The Social Security Amendments of 1967 allowed for benefit payments to disabled widows aged 50 or older. More broadly, benefits were increased over time along with the rest of the Social Security program.

Similarly, DI has shifted from a medical model focused on specific physical impairments to a functional model that incorporated and came to focus on the individual's ability to engage in paid work.² Due to the process by which DI expanded, the typical American – and perhaps the typical Member of Congress – isn't aware of how large and costly the system has become.

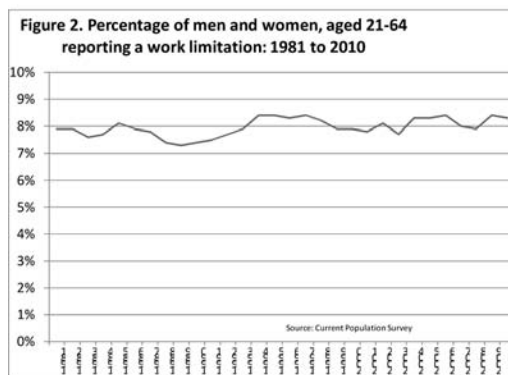
In this way, DI differs from the Old Age component of Social Security, where the generosity of benefits relative to pre-retirement earnings is roughly in line with historical norms. The Old Age component's increase in costs is almost entirely a function of demographics, of rising numbers of beneficiaries whose benefits must be financed by relatively smaller populations of workers. By contrast, the increase in disability costs is not simply a function of more beneficiaries but of different beneficiaries with impairments that in the past may not have qualified them for benefits. Thus, Congress must think not only about the size of the beneficiary population but its composition as well.

¹ See Martin, Patricia, and David Weaver. 2005. "Social Security: A program and policy history." *Social Security Bulletin* 66(1): 1-15.

² See Jennifer L. Erkulwater. *Disability Rights and the American Social Safety Net*. Cornell University Press, 2006.



significant drop for individuals aged 45 to 54.

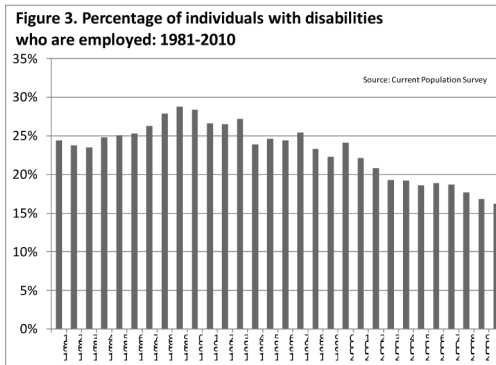


in the workforce.

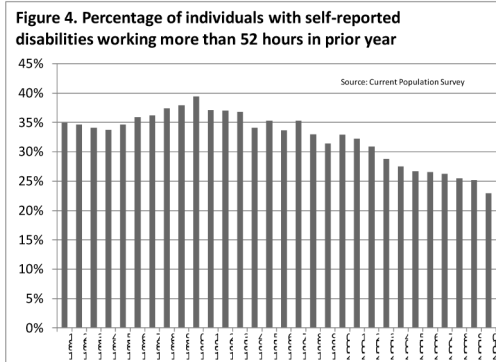
The percentage of individuals reporting disabilities who are employed has dropped significantly, from a recent high of 29 percent in 1989 to only around 16 percent today. While current figures are in part a function of the depressed economy, as Figure 3 shows, there has

The rise in the DI caseload is not principally attributable to poorer health within the working age population. According to data from the National Center for Health Statistics (Figure 1), the share of 55 to 64 year olds reporting themselves to be in fair or poor health declined from 25 percent to 18 percent from 1983 to 2007, with a smaller but still

Similarly, the share of working age individuals reporting a disability that either limits work or prevents them from working has remained roughly stable over the past three decades, according to Census Bureau data. (Figure 2) The problem, at least as reported by individuals themselves, is not of greater incidence of disability but of fewer such people participating



been a longer-term trend toward lower employment among the disabled for the past two decades.



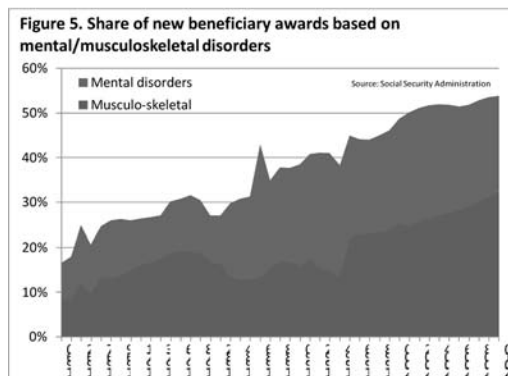
Moreover, an increasing number of individuals with self-reported disabilities had almost no contact with the labor force in the prior year. (Figure 4) In 2010, only about 23 percent of working age individuals with self-reported disabilities worked more than 52 hours in the prior year, versus 38 percent in 1990. This means that three out of four individuals with self-reported disabilities were out of the labor force for essentially the entire year, a time during which work-related skills and contacts erode. For these individuals, prospects for a successful return to employment are grim, even once the

economy recovers. Even if marginally disabled individuals may have been employable when they entered the program, after a period of time on DI they may no longer be so.

Research published by the RAND Corporation shows that roughly one quarter of current DI applicants are only marginally disabled, meaning that they are accepted or denied for benefits based only on the idiosyncrasies of the examiner who handled their case. Many of these marginal applicants, the researchers found, could and would continue to work except for

the provision of DI benefits and the rules under which they are paid.³ These applicants, who are predominantly younger, suffer from mental disorders and have low incomes, could remain on the job if given the proper assistance and incentives.

As system costs have risen, so has dependence on DI payments for household income. For instance, among men with self-reported disabilities in 1982, roughly 14 percent of household income came from DI or SSI disability benefits; for similar men in 2009, that figure stands at over 25 percent. For women with disabilities, the increase in reliance on DI income was even larger. Among all working age households, the share of income driving from DI benefits has almost doubled since 1982.⁴



Part of the problem is simply that many of the conditions now allowed under DI rules are very difficult to judge. The share of new beneficiaries with either mental or musculoskeletal disorders rose from around one-fifth in the late 1960s to over half today. (Figure 6) As the RAND research cited above concluded,

roughly one quarter of DI applicants are accepted or rejected based upon the luck of the draw.

While it is easy to conclude that rising disability rolls are due at least in part to fraud or faking by beneficiaries, the criteria themselves may be so subjective that no fraud is necessary. Most of those who apply for DI have some level of disability; the job of SSA is to determine whether applicants satisfy the criteria set by Congress, but Congress's job is to ensure that the

³ Maestas, Nicole, Mullen, Kathleen J. and Strand, Alexander. "Does Disability Insurance Receipt Discourage Work? Using Examiner Assignment to Estimate Causal Effects of SSDI Receipt?" (May 1, 2011). Michigan Retirement Research Center Research Paper No. WP 2010-241.

⁴ Source: Richard Burkhauser and Mary Daly. *The Declining Work and Welfare of People with Disabilities*. The AEI Press, 2011. From March CPS data.

criteria are explicit enough that we can be confident that similarly-disabled people will receive the same judgment by the system.

In addition, DI decisions have increasingly come to be made on vocational rather than medical grounds. If an applicant meets the medical criteria for disability, his or her application is accepted. However, even those who fail to meet the medical criteria may nevertheless be granted DI benefits if SSA judges that the combination of their age, education, work history and other factors makes it unlikely that person would once again be able to obtain or hold a job. In the mid-1960s, only around 16 percent of all applications were decided on vocational factors; in 2010, roughly 55 percent were.⁵ Moreover, different states use vocational standards to very different degrees. In New York and Washington State, for instance, around 60 percent of DI awards are made on vocational grounds while in Hawaii and Indiana only around 30 percent are.⁶

In light of all this evidence, the Disability Insurance program needs to be rationalized. Disability is a subjective condition that covers a spectrum from total to non-existent. But government isn't good at making subjective judgments, leaving room for discretion, error, and variability on the side of the government employees charged with screening disability applicants. One of the goals of DI program reform is simply for Congress to re-state its intentions with regard to the system, clarifying the types of conditions it wishes DI to insure against and the process by which decisions should be made.

In recent history, at least, DI reform has been taken to be too difficult, even in the context of overall Social Security reform. I served on the staff of President Bush's 2001 Commission to Strengthen Social Security as well as on the White House National Economic Council in 2005, and in neither case was much attempt made to address DI's structural shortcomings. But today, there are strikingly similar efforts from across the political spectrum to modernize DI to make it both more fiscally sustainable as well as produce better outcomes for the covered population.

⁵ Burkhauser and Daly (2011). Figure 3-7, based on SSA data.

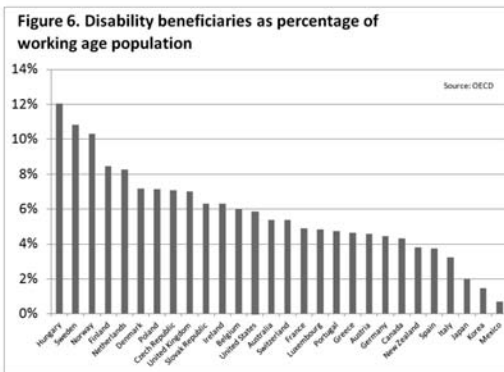
⁶ Social Security Advisory Board. "Disability Decision Making: Data and Materials." May, 2006.

For instance, one proposal from David Autor of MIT and Mark Duggan of the Wharton School would require employers to carry private disability insurance which would cover benefits for a short period until Social Security DI took over. Mandatory private insurance would give employers the incentive to accommodate workers with disabilities so that they might remain in the workforce, which is the best outcome both for the worker and for Social Security.⁷

Similarly, a proposal from Richard Burkhauser of Cornell and Mary Daly of the Federal Reserve would provide “experience rating” for disability payroll taxes, much like employer contributions toward state Workers Compensation programs. Employers who can keep individuals with disabilities on the job will be rewarded with lower taxes, while those who shift workers onto DI will pay more.

It is worth bearing in mind the costs the disability programs can impose on national budgets, as we look at troubled government finances around the world. Compared to other

countries, the United States is merely in the middle of the pack in terms of keeping individuals with disabilities in the workforce. Overall, around 5.9 percent of working age Americans are receiving some form of disability benefit, either Social Security DI or Supplemental Security Income. This places the U.S. on par with countries such as Belgium and



⁷ Autor, David, and Mark Duggan. “Supporting Work: A Proposal for Modernizing the U.S. Disability Insurance System.” The Center for American Progress/Hamilton Project, 2010.

above France, Greece, Germany and Italy. Other countries have begun to reform their disability programs – one example being the Netherlands, which through a series of reforms introduced beginning in the late 1990s reduced its disability inflow rates by roughly 60 percent.⁸

While reforms can take different shapes, an emphasis both in research here and policy abroad is to shift employer incentives toward greater accommodation for individuals with disabilities. If through such reforms we were able to reduce Social Security's disability incidence rate from its intermediate projection half-way to the low-cost projection, total savings over 75 years would exceed \$400 billion in present value. Lowering the disability incidence rate to the low-cost levels would reduce overall system costs by around \$850 billion. And a portion of these savings will come not through reduced DI outlays, but through increased taxes based on increased earnings of Americans who are able to stay on the job. In other words, reform of the Social Security DI program can be a win-win for the budget and for affected individuals if only we are creative enough to think outside the ordinary boxes of what reforms might look like.

⁸ Van Sonsbeek, Jan-Maarten and Gradus, Raymond. "Estimating the Effects of Recent Disability Reforms in the Netherlands" (August 12, 2011). Tinbergen Institute Discussion Paper No. 11-121/3.

Chairman JOHNSON. Thank you, sir. I appreciate your testimony.

I am not sure that we have time to go into questions. I think we are voting.

Mr. BECERRA. What if we agree to just, all of us, agree to just 2 or 3 minutes instead of 5?

Chairman JOHNSON. That is okay with me. Can you all agree to 2-minute questions? Ask one question? We will try to do that. Thank you. I appreciate you all being here.

Mr. Goss, let me ask you, on page 1 of your testimony, you say the 3.6 percent cost-of-living adjustment for December 2011 was larger than expected and wages grew slower than expected, both of which may cause the trust fund reserves to exhaust earlier than is currently expected.

Can you tell me how much earlier?

Mr. GOSS. Yes, I think I can, Chairman Johnson. Our projection in the 2011 Trustees Report was that we would be solvent, that we would still have trust fund assets in the DI program into 2018, but only just barely.

The level of our trust fund assets was projected to be only 5 percent of annual program cost at the beginning of 2018. So it doesn't take much of a shortfall to bring us back into 2017. And it looks as though the higher-than-expected cost-of-living adjustment, which provides higher benefits to all of our beneficiaries, would be sufficient in and of itself to bring us into 2017.

I might also mention that OMB and CBO are both, at this point, projecting 2017 for the exhaustion date. But, again, at that point, we would still have enough tax revenue coming in to pay 86 percent of benefits.

Chairman JOHNSON. Yes, there is not as much payroll tax going into that system these days.

Mr. Becerra, you are recognized for 1 minute.

Mr. BECERRA. Chairman, thank you very much. And thank you for indulging us here.

Mr. Goss, a question. Dr. Biggs pointed out the issue of self-reporting. As an actuary, are you and those who work with you to come up with these estimates estimating that we are going to see a drop in the number of people who are classifiable as disabled over the years as the baby-boom generation ages into that range?

Mr. GOSS. Well, we are not really projecting that. And I am sure that Dr. Biggs would agree, self-reporting is a tricky issue, especially when you are looking over a period of decades. The way people view disability and whether or not you are disabled can change at a societal level over periods of time.

When we look at the disability incidence rates that we were talking about before, the probability of becoming disabled, we have seen that it has been really quite stable for men on an age- and sex-adjusted basis over time. And for women, the rates of becoming disabled have risen quite substantially, but only just up to about the level of men.

So we feel fairly confident that, given that men have been pretty stable for a long period of time in their tendency to become disabled and women, who used to have a much lower tendency, have moved up to be similar to men in their likelihood of becoming dis-

abled, that they will probably continue to be marching at about the same rates into the future. And we are not expecting surprises.

Mr. BECERRA. Thank you very much.

I yield back, Mr. Chairman.

Chairman JOHNSON. Thank you.

Mr. Schock, you are recognized.

Mr. SCHOCK. I will yield back.

Chairman JOHNSON. One minute?

Mr. SCHOCK. No, I am good.

Chairman JOHNSON. Are you?

Mr. SCHOCK. Yep.

Chairman JOHNSON. You don't question the disability system at all?

Mr. SCHOCK. I got so many questions that——

Chairman JOHNSON. Okay——

Mr. SCHOCK. Why don't we start with——

Chairman JOHNSON. Wait a minute. Are you going to ask a question now?

Mr. SCHOCK. Well, I mean, with 1 minute, I will just yield. I needed 20 minutes.

Chairman JOHNSON. Mr. Marchant, can you question?

Mr. MARCHANT. Mr. Biggs, in your testimony, you say that disability is a subjective condition and that government isn't good at making subjective judgments, leaving room for discretion, error, and variability. What do you mean by this?

Mr. BIGGS. Well, disability covers a range of infirmities that can go from a slight impairment of your ability to work to a total impairment. And, ultimately, Congress has to decide where on that spectrum they are going to draw the line and say that people on one side of that line are going to qualify for benefits and people on the other side of the line are not going to qualify for benefits. So it is a subjective judgment, where to draw that line. And, obviously, opinions can differ with that.

One of the difficulties, though, is in applying this in practice, that we see variability in acceptance rates from examiner to examiner. So it means that, even given the rules set down by Congress, there is subjectivity in terms who is accepted and who is denied. I don't think you can get rid of that. It is just the nature of what we are looking at.

But one of the points I make in my written testimony is that Congress has to be very aware that it is the ones that makes the decisions. The Congress has been elected to decide how we are going to run this program. And so it should try to be as concise and specific as it can be in laying out the criteria by which people will be accepted for DI benefits so that we are not simply passing that off to SSA or to examiners or to ALJs, because I think that is not their job. And so I think Congress should give them as much specific guidance as they can based on the values and judgments that it comes to in terms of where we draw that line.

Mr. MARCHANT. Thank you.

Chairman JOHNSON. Mr. Schock, you may question.

Mr. SCHOCK. I have a question for any of the three panelists. I am curious if any of you have studied the effect of claims for disability benefits based on economic conditions. In other words, when

there is higher rates of unemployment, more joblessness, you could speculate that perhaps more people decide that they are unemployable because of a disability.

Mr. GOSS. Well, we certainly have seen with the most recent recession, which started in 2008 and reached the bottom of the recession in mid-2009, a significant increase in the number of claims for disability for both the Title II DI program and for the Title XVI, as you might expect.

There are a substantial number of people in our population who have medically determinable impairments, and many of these people, through force of will, through just being very, very determined, work anyway. But, clearly, the nature of the program is such that people who are in that position have very strong medically determinable impairments. If they lose their job, they will have a greater opportunity than somebody who does not have a medically determinable impairment to come and apply for benefits and perhaps get them.

The other thing that I think is really important to keep in mind about the Disability Insurance program and medically determinable impairments is that most of these impairments are things that do progress over time. If a person has a medically determinable impairment to a certain degree, which, as Dr. Biggs indicates, may not cross the threshold of qualifying for disability, a year or 2 later it may, in fact, cross that threshold. That is probably why through the determination process sometimes people get allowed a year or 2 after they first apply when they were not allowed initially.

But, certainly, at a time of recession—and on some of the charts we have, we show this—the number of people who file for disability benefits and end up getting benefits clearly rises. This is in large part just because when employment is good, when employers are trying to employ lots of people, people with impairments and everybody else find it relatively easy to get a job. When we hit a strong recession, as we have now unfortunately, with lots of people out of work, people will still look for a way to put bread on the table. And Social Security disability benefits are available for those who would qualify.

But I would hasten to say that I do not think that anybody would suggest that the criteria used at Social Security, at the DDS examiners, and elsewhere is modified at all at time of recession. It is really just a matter of having more people apply who would qualify in any case.

Mr. SCHOCK. So is it your estimation that the same criteria is used to determine whether or not they qualify, but those who wish to apply goes up because they are out of work?

Mr. GOSS. Exactly.

Mr. SCHOCK. Is this one form of receiving assistance?

Mr. GOSS. I would suggest, I think it is clear that everybody in our population—the United States has a very strong work ethic if we compare ourselves to many other countries, especially on the other side of the Atlantic. And given that strong work ethic, virtually everybody in this country, given the opportunity for a good-paying job versus taking benefits from Social Security, will take the good-paying job. So——

Mr. SCHOCK. I agree.

Mr. GOSS [continuing]. People who really find their ways onto the disability rolls, I think, in general, as Virginia Reno indicated, are people who really are having a very hard time finding a job, and for a very good reason: because they qualify with a medically determinable impairment for——

Chairman JOHNSON. Thank you for your testimony.

Mr. SCHOCK. So I am hearing you say you don't think Americans are lazy?

Mr. GOSS. I would concur with that completely.

Mr. SCHOCK. I agree. Thanks.

Chairman JOHNSON. Thank you all for bearing with us. We are in a little bit of a time compression today. And thank you for your testimony.

And the Members will have some time to write questions, if you all will answer them.

Chairman JOHNSON. And so I thank you for being here, and I look forward to working with you and our colleagues as we continue to examine the challenges facing this program and solutions.

With that, the committee stands adjourned.

[Whereupon, at 11:12 a.m., the subcommittee was adjourned.]

[Submissions for the Record follow:]

Allsup, Statement**Hearing by the House Committee on Ways and Means, Subcommittee
on Social Security on Securing the Future of the Social Security
Disability Insurance (SSDI) Program**

**Statement of James F. Allsup, Belleville, Ill.
President, CEO and Founder of Allsup**

Chairman Johnson and Members of the Subcommittee, thank you for considering my written testimony today regarding the importance of the Social Security Disability Insurance (SSDI) program as a vital financial safety net for American workers and the financial challenges the program faces.

My name is James Allsup, and I am a former employee of the Social Security Administration and the founder and CEO of Allsup, a national non-attorney SSDI representative company. Since 1984, we have helped more than 170,000 individuals obtain disability benefits. Along the way, we have obtained unique insights into the challenges of those with disabilities.

First, allow me to point out that the current economic problems have a very high impact on those with disabilities. Our research suggests the problem is even worse for Americans with disabilities who are still able to work. The *Allsup Disability Study: Income at Risk* found that as of October 2011, the unemployment rate for people with disabilities was more than 85 percent higher than the rate for people without disabilities. While 8.8 percent of Americans overall were considered unemployed, 16.3 percent of Americans with disabilities could not find work. That's the highest rate of disability unemployment since reporting began in the fourth quarter of 2008.

For those who can no longer work, a safety net does exist in the SSDI program, which provides very modest regular monthly income, spouse and dependent benefits, and protected retirement benefits. But dramatic increases in applicants and limited resources for the program are putting an enormous strain on the system, making it even more difficult for Americans with disabilities to receive the help they need to avoid financial calamity.

While applications are actually down slightly this year compared to last year – 2.22 million people filed disability claims through the third quarter of 2011, compared to 2.23 million by the same time in 2010 – nearly 1.8 million people are in the SSDI backlog, with more than 750,000 at the hearing level alone. Recent SSA data shows the average wait time at the hearing level is 364.9 days. It's as high as 436 days in Ohio. The average cumulative wait time is more than 800 days, based on Allsup's analysis of the SSDI backlog. Eligible Americans with disabilities cannot and should not be waiting this long for decisions on their disability claims.

The financial impact of disability and the long wait for benefits have a dire effect on SSDI claimants. In July 2010, Allsup commissioned a survey of our claimants, including applicants waiting for a decision at various levels and those who have received an award. The average claimant is 52 years old, married, and likely has a high school or college degree.

But having a disability presents a heightened level of hardship. For example, 83 percent of SSDI claimants have health insurance coverage, but approximately one-third will lose their coverage while waiting for SSDI. Once they begin receiving SSDI benefits, they could wait months or years for Medicare coverage. One-third of our claimants depend on a caregiver – most likely a family member – to help them meet day-to-day challenges.

The financial strain is clear. One-third of pending claimants have missed or expect to miss a mortgage payment. One in five has filed or expects to file for bankruptcy. The stereotype of SSDI applicants as “freeloaders” is untrue: **85 percent have never used government assistance programs** prior to applying for SSDI, according to our survey.

SSDI can literally mean the difference between living below or above the poverty line for Americans with disabilities. The U.S. Department of Health and Human Services’ 2011 Poverty Guidelines¹ suggest the poverty line for a one-person household is \$10,890. Our survey found that 66 percent of pending claimants reported personal income below \$10,000. Once they were awarded SSDI benefits, only 18 percent reported personal income below \$10,000.

For households, the numbers are similar. Poverty Guidelines set a target of \$22,350 for a family of four. Half of all pending claimants in our survey reported a household income below \$20,000. After an SSDI award, 32 percent reported household income below \$20,000. That’s still too high, but the evidence is clear that for many individuals and families, SSDI benefits can help them stay in their home, with the lights on, rather than face foreclosure. It can mean they no longer have to purchase food for their family at the expense of their medical care.

These statistics, while powerfully disturbing, tend to overshadow the very direct and personal impact of a disability. Added to that is the lengthy wait for benefits, which affects the lives of Americans who face unthinkable levels of financial, emotional and mental stress. Often, this strain also affects those around them, who courageously and compassionately step in as caregivers for friends and family members with disabilities.

Every day, Allsup professionals hear stories from our pending claimants about the obstacles they face. Some face utility shut-off, as one recent 61-year-old claimant with severe osteoarthritis and depression did, or problems getting credit to tide them over until some financial resources are identified. One recent Allsup claimant was having difficulty finding reliable medical care, and his memory problems made matters worse. Another Allsup claimant couldn’t afford the prescriptions he needed to relieve his pain.

We interact on a daily basis with individuals coping with physical limitations and mental conditions that hinder their ability to cope with the basics of daily living—determining how they will sustain themselves with housing, food, utilities and receive the basic medical care they need.

Recently, we worked with a claimant who suffers from multiple sclerosis. Unable to work, he found himself struggling to afford his mortgage and utilities, and provide food for his six children. He even had trouble keeping his 16-month-old twins in diapers. The man was facing challenges most of us never have to face, and he felt lost and alone without knowing when help would come.

¹ <http://aspe.hhs.gov/poverty/11poverty.shtml>

Fortunately, Allsup is able to help many people and their families find temporary assistance that can help create some semblance of financial stability while they await an SSDI decision. We connected the father of six with a multiple sclerosis support group, which provided some emergency financial support, and a HUD housing counselor, who worked with him to explore mortgage options.

Tragically, though, too many people facing these immense hurdles give up and in desperation and depression, end their lives. Stories like these illustrate the tragic, personal nature of disability and the extent to which the long wait for SSDI benefits affects American's lives. These claimants' lives also highlight the urgent need for action to empower the Social Security Administration to meet these challenges head-on.

The problems don't necessarily stop when an SSDI claim is awarded. One recent claimant was awarded \$10,000 in retroactive benefits, but had accumulated \$20,000 in credit card debt to make ends meet while she waited. These types of situations are devastating and the repercussions may last for decades. It's absolutely critical that our government leaders understand the impact of disability, the acute needs met by the SSDI program, and do everything in their power to speed the disability determination process.

The dramatic increase in applications in recent years has put an enormous strain on the system. The increased pressure on the SSDI program has exacerbated, not created, the problems it faces, many of which stem from a lack of resources. Much of the public's attention is on the bigger Social Security retirement program, but SSDI is projected to run out of money as early as 2017, much sooner than the retirement program.

Here's the truth of the matter: People paid for this disability insurance while they were working, and now they desperately need these benefits.

It is imperative that Congress act to fully fund SSDI and pursue a comprehensive package of reforms that will restore SSDI to fiscal security, ensure that advances made in recent years can continue, and that disability claims backlogs not worsen. Efforts and new initiatives should be pursued, expanded and improved to make certain that those who are obviously eligible receive fast access to the insurance they paid for with their taxes. It's simply the right thing to do.



Consortium for Citizens with Disabilities, Statement



Statement for the Record

**Hearing on Securing the Future of the
Social Security Disability Insurance Program**

**Subcommittee on Social Security
House Committee on Ways and Means**

December 2, 2011

Submitted on behalf of the undersigned members of the Consortium for Citizens with Disabilities Social Security Task Force:

* * * *

The Consortium for Citizens with Disabilities (CCD) is a working coalition of national organizations working together to advocate for national public policy that ensures the self-determination, independence, empowerment, integration and inclusion of the 54 million children and adults with disabilities in all aspects of society. The CCD Social Security Task Force focuses on disability policy issues in the Title II disability programs and the Title XVI Supplemental Security Income (SSI) program.

The undersigned members of the CCD Social Security Task Force submit this Statement for the Record of the December 2, 2011, House Ways and Means Social Security Subcommittee hearing on Securing the Future of the Social Security Disability Insurance (SSDI) Program. The SSDI program¹ provides vital and much-needed economic security and access to health care for individuals whose impairments are so severe that they preclude substantial work. This income support program is an integral component of our nation's safety net, reflecting the core American value of assisting those in need. We appreciate Chairman Johnson's and Ranking Member Becerra's interest and attention to this critical program for people with disabilities and their families.

¹ This includes all individuals with disabilities receiving benefits through the Old-Age, Survivors, and Disability programs, including disabled workers, surviving disabled spouses, and disabled adult children.

SSDI Provides Vital Income Support

SSDI is essential to people with disabilities and their families. Its basic structure is effective and should be preserved. The income support received through this program prevents millions of Americans from living lives of abject poverty and homelessness. The importance of this program to one of our nation's most vulnerable populations cannot be overstated. Ensuring that there is adequate financing to protect this program in the long-term is a high priority of the Task Force. Any effort to shore up its long-term solvency, however, must also protect and expand the effectiveness of its income support function, as well as protect access to the corresponding health coverage provided through Medicare.

Disability Benefits Are Modest

Disability benefits are modest and many people with disabilities continue to live in poverty even when their disability benefits are taken into account. Before filing an application, most people with disabilities have done everything they can and exhausted their savings and other options. In our experience, they do not want to live on the benefits received through the disability programs, unless they have no other alternatives.

SSDI benefit amounts are based on the workers' previous earnings. However, SSDI benefits only replace a percentage of the workers' previous earnings and, especially for low and moderate earners, are quite modest. The average monthly benefit in August 2011 for a SSDI program beneficiary was only \$1,070 per month, an annual income of just \$12,840.² It is important to keep in mind, for comparison purposes, that a person working full-time, 40 hours per week, and earning the federal minimum wage of \$7.25/hour earns \$15,080 annually.³ In fact, nearly one-third of the people receiving SSDI live in households with total household income below 100% of the federal poverty level.⁴ People with work-limiting disabilities, despite the availability of SSDI, are 4.5 times more likely to live in chronic poverty than people without disabilities.⁵ Forty-seven percent of those living in poverty overall are people with disabilities and 65% of people living in long-term poverty are people with disabilities.⁶

The Current Definition of Disability Is Appropriate

The current definition of disability is appropriate and ensures that only those individuals with the most severe disabilities receive benefits. The current definition is strict, requiring an individual to prove that he or she cannot maintain substantial gainful employment in the national economy. The end result is that SSDI provides benefits only to individuals with the

² Social Security Administration, Office of the Chief Actuary, <http://www.ssa.gov/OACT/ProgData/icp.html>, last accessed September 10, 2011. Average benefits for disabled women workers are even lower at \$935/month. *Ibid.*

³ See <http://www.dol.gov/dol/topic/wages/minimumwage.htm>.

⁴ Gina Livermore, et al., *Work Activity and Use of Employment Supports Under the Original Ticket to Work Regulations: Characteristics, Employment, and Sources of Support Among Working-Age SSI and DI Beneficiaries*, Final Report, April 2009, p. 8.

http://www.ssa.gov/disabilityresearch/documents/TTW5_2_BeneChar.pdf

⁵ Gina A. Livermore and Peiyun She, *Long-term Poverty and Disability Among Working Age Adults*, Research Brief, August 2006, <http://digitalcommons.ilr.cornell.edu/edicollect/1226/>

⁶ Livermore and She, , August 2006, <http://digitalcommons.ilr.cornell.edu/edicollect/1226/>

most significant impairments. Many individuals receiving SSDI have made repeated attempts to work, often exacerbating their impairments, before finally turning to the program for critical income support.

The beneficiary populations receiving benefits through SSDI are very diverse. Some are terminally ill. In fact, about one in five male SSDI beneficiaries and one in seven female SSDI beneficiaries die within the first five years of receiving benefits.⁷ Nearly 70% of SSDI beneficiaries in 2010 were age 50 or older and nearly 1 in 3 was age 60 or older.⁸ Forty-six percent of people receiving SSDI benefits characterized their health as being poor or very poor in a recent National Beneficiary Survey.⁹ Additionally, the health of people receiving benefits appears to worsen over time. Nearly 1 in 2 beneficiaries reported in that same survey that their health had declined over the past year.

Program Growth

We understand the concern regarding the status of the Disability Insurance Trust Fund and the stress that recent program growth has placed on its finances. Major demographic and economic factors outside the structure of the disability program are in large part responsible for the increase in participation seen in recent years. The same economic factors have also contributed to fewer disability beneficiaries returning to the workforce.

A significant part of the increase in applications and participation in the disability programs is attributable to the aging of the United States population, as the baby boomers have entered their “high disability” years. People are twice as likely to be disabled at age 50 as they are at age 40 and twice as likely as to be disabled at age 60 as they are at age 50.¹⁰

In addition, the influx of women into the workforce since the 1970s has meant that more women have paid into the SSDI program and are eligible for benefits when they become disabled. In 1990, men were receiving disability benefits at a percentage twice as high as women.¹¹ In 2009, when many more women workers had worked long enough to be covered by SSDI on the basis of their own earnings, 47% of the disabled workers receiving benefits were women.¹² This change in the nature of the workforce, and the corresponding increase in the total number of people eligible to apply for benefits after the onset or worsening of a disability, has significantly contributed to the increase in participation rates in the SSDI program.

Finally, the recession has made it more difficult for workers with disabilities to become employed or keep their jobs when an illness or injury causes them to become disabled. People with disabilities are often the “last hired and first fired” in times of economic

⁷ Gina Livermore, David Stapleton, and Henry Claypool, *Health Insurance and Health Care Access Before and After SSDI Entry*, page X, The Commonwealth Fund, May 2009.

⁸ Social Security Administration, *2010 Annual Statistical Supplement to the Social Security Bulletin*, February 2011, Table 5.D4, <http://www.socialsecurity.gov/policy/docs/statcomps/supplement/>

⁹ Livermore et al., *IBID* 4, p. 10, http://www.ssa.gov/disabilityresearch/documents/TTW5_2_BeneChar.pdf

¹⁰ Kathy Ruffing, Center on Budget and Policy Priorities, *What the 2011 Trustees' Report Shows About Social Security*, May 24, 2011, 8, <http://www.cbpp.org/cms/?fa=view&id=3500>

¹¹ Kathy Ruffing, 8, <http://www.cbpp.org/cms/?fa=view&id=3500>

¹² Social Security Administration, *IBID* 8, Table 5.D4, <http://www.socialsecurity.gov/policy/docs/statcomps/supplement/>

downturn. It is no surprise then that applications for SSDI increase during recessions.¹³ Employers are often less likely to accommodate a worker with a disability when there is an abundant supply of labor and the employer can choose between an otherwise equally qualified person with a disability and a large number of their non-disabled peers.¹⁴ This certainly appears to be the case in the current downturn with the unemployment rate hovering right around 9% overall and nearly double for people with disabilities with attachment to the workforce (at 16.1%).¹⁵

Despite the recent growth in the SSDI program, it is expected to level off in the near future according to the testimony at the December 2 hearing by Stephen C. Goss, the Social Security Administration Chief Actuary. His written statement and oral testimony states that the factors causing the growth of the SSDI program have stabilized or are expected to do so in the near future. As stated by the Chief Actuary in his written testimony, "We project that the number of DI beneficiaries will continue to increase in the future, but only at about the rate of increase in workers."

Adequate Administrative Funding Is Necessary to Ensure Program Integrity

SSA must have sufficient funding to ensure that the service needs of the public are met, including the needs of people applying for and receiving Social Security disability benefits. The delivery of services must be strengthened, not weakened, during times of economic crisis. Adequate administrative funding is needed so that SSA can continue making strides to reduce the disability claims backlog, as well as to prevent deterioration of other critical services primarily caused by the underfunding of SSA for many years. Finally, sufficient funding is necessary to ensure that SSA can effectively perform its program integrity functions, such as continuing disability reviews and efforts to prevent and recover overpayments.

We look forward to continuing to work with the Members of the Social Security Subcommittee to explore ways to secure the future of the SSDI program for the long-term and to protect the vital income support function the program provides for some of the most vulnerable Americans.

* * * *

¹³ National Academy of Social Insurance, *Balancing Security and Opportunity: The Challenge of Disability Income Policy (Report of the Disability Policy Panel)*, 1996, 16; see also Social Security Administration, Office of the Chief Actuary, <http://www.ssa.gov/oact/STATS/table6c7.html>, last accessed September 11, 2011 (showing that applications increase during times of economic downturn).

¹⁴ See Van Doorn Ooms, *A View From Business*, in *Disability: Challenges for Social Insurance, Health Care Financing & Labor Market Policy*, National Academy of Social Insurance, 1997, 176; see also NASI *Balancing Security and Opportunity*, 63.

¹⁵ United States Department of Labor, Bureau of Labor Statistics, <http://www.bls.gov/news.release/empsit.t06.htm>, accessed September 11, 2011.

Submitted on behalf of the undersigned members of the Consortium for Citizens with Disabilities Social Security Task Force:

American Association of People with Disabilities
Bazelon Center for Mental Health Law
Community Legal Services
Easter Seals
Health & Disability Advocates
National Association of Councils on Developmental Disabilities
National Association of Disability Representatives
National Alliance on Mental Illness
National Disability Rights Network
National Multiple Sclerosis Society
National Organization of Social Security Claimants' Representatives
Paralyzed Veterans of America
The Arc of the United States
United Spinal Association

Home Dialyzors United, Statement



10037 Frontage Rd. #B
Skokie, Illinois 60077
847-922-6731

December 15, 2011

Chairman Johnson, Ranking Member Becerra, and members of the subcommittee. Home Dialyzors United, formerly NxStageUsers, is a 501(c)(3) non-profit and the largest dialysis patient organization in the nation dedicated specifically to home dialysis, representing over 500 patients or approximately 10% of home hemodialysis patients in the U.S. On behalf of those members, and others doing in-center dialysis who can't speak for themselves, we are writing to comment on **Securing the Future of the Social Security Disability Insurance Program**.

As we all know, the United States is facing an extreme deficit dilemma. As a dialysis patient organization, our first call is to do no harm. However, we also recognize the drain CKF patients have on Medicare expenditures and Social Security Disability Insurance benefits. Presently, people with chronic kidney failure (commonly known as ESRD) consume 8% of the total Medicare budget while numbering approximately just 1.8% of the population (570 thousand/309 million).

There are no hard numbers regarding SSDI, but we do know over 96,000 dialysis patients between the ages of 18-54 were unemployed in December, 2009¹. At an average cost of \$1070 per month in SSDI benefits, the total cost of SSDI for this population alone is estimated to be nearly \$ 1.24 billion per year. We obviously don't expect all of the unemployed will be able to work, but do know many would if they could and if they felt well enough and believed their Medicare coverage would not be put in jeopardy because of their employment.

We also recognize that those unemployed are not able to contribute fully to their family's fair share of income taxes. With an average U.S. per person tax of \$3,804, this alone represents a total loss of revenue of nearly \$365 million per year from this dialysis population alone. Once again, we recognize these figures are very rough.

For these reasons alone, we believe a study of the economic impact of renal rehabilitation should be undertaken by the GAO with its resultant report provided to the Ways and Means Committee's Social Security and Health Subcommittees.

1) End Stage Renal Disease Network Organization Program, Centers for Medicare and Medicaid Services, 2009 Summary Annual Report, Table 20.