

***Topic A: Disability Insurance Program  
Growth in the Past and the Future: Why.  
Is Fundamental Reform Needed?***

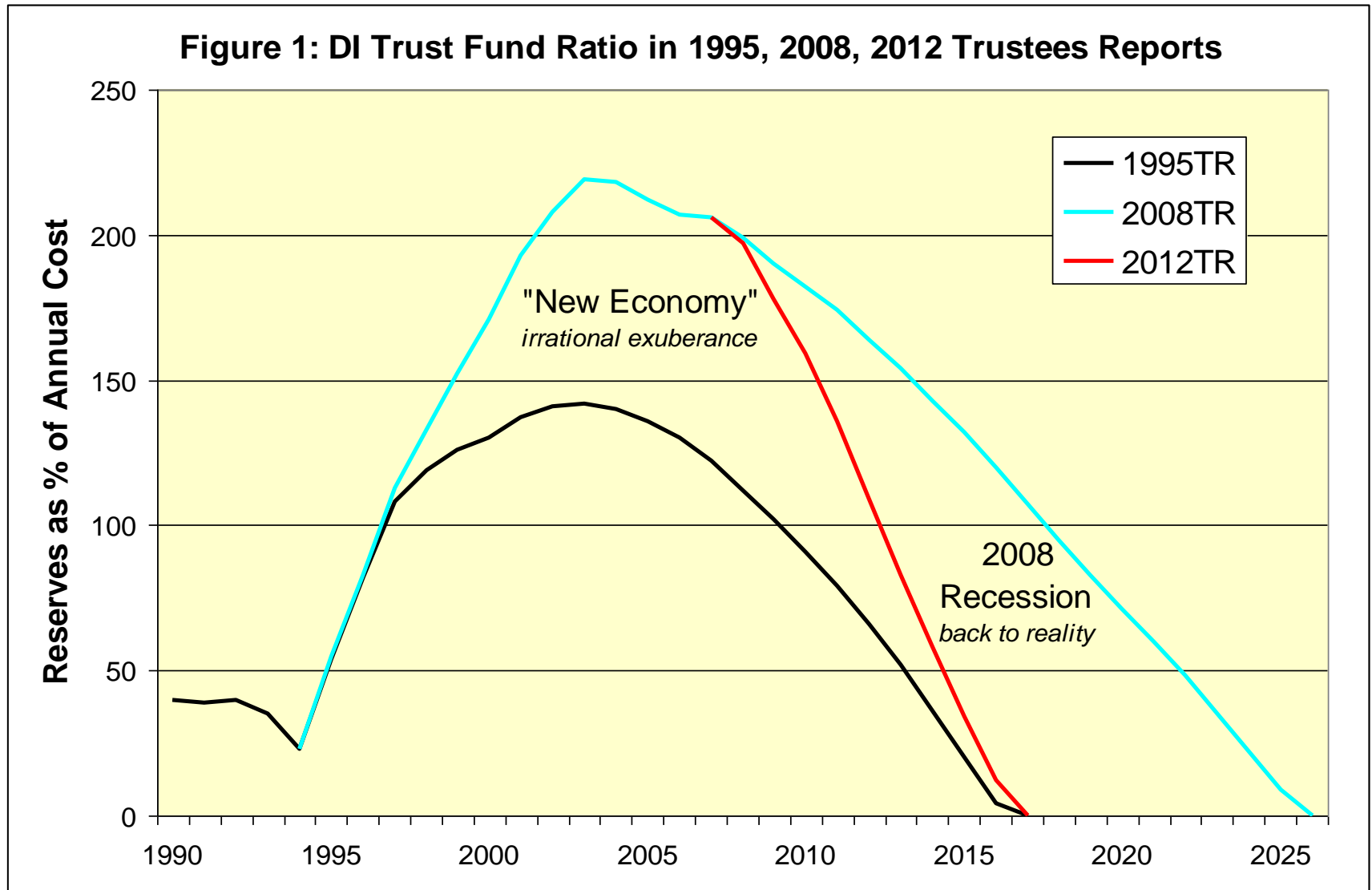
Presentation by Stephen C. Goss, Chief Actuary,  
Social Security Administration

AEI-Brookings Symposium On Disability Reform  
B-318 Rayburn House Office Building  
April 12, 2013

# Hypothesis put forth to the panel

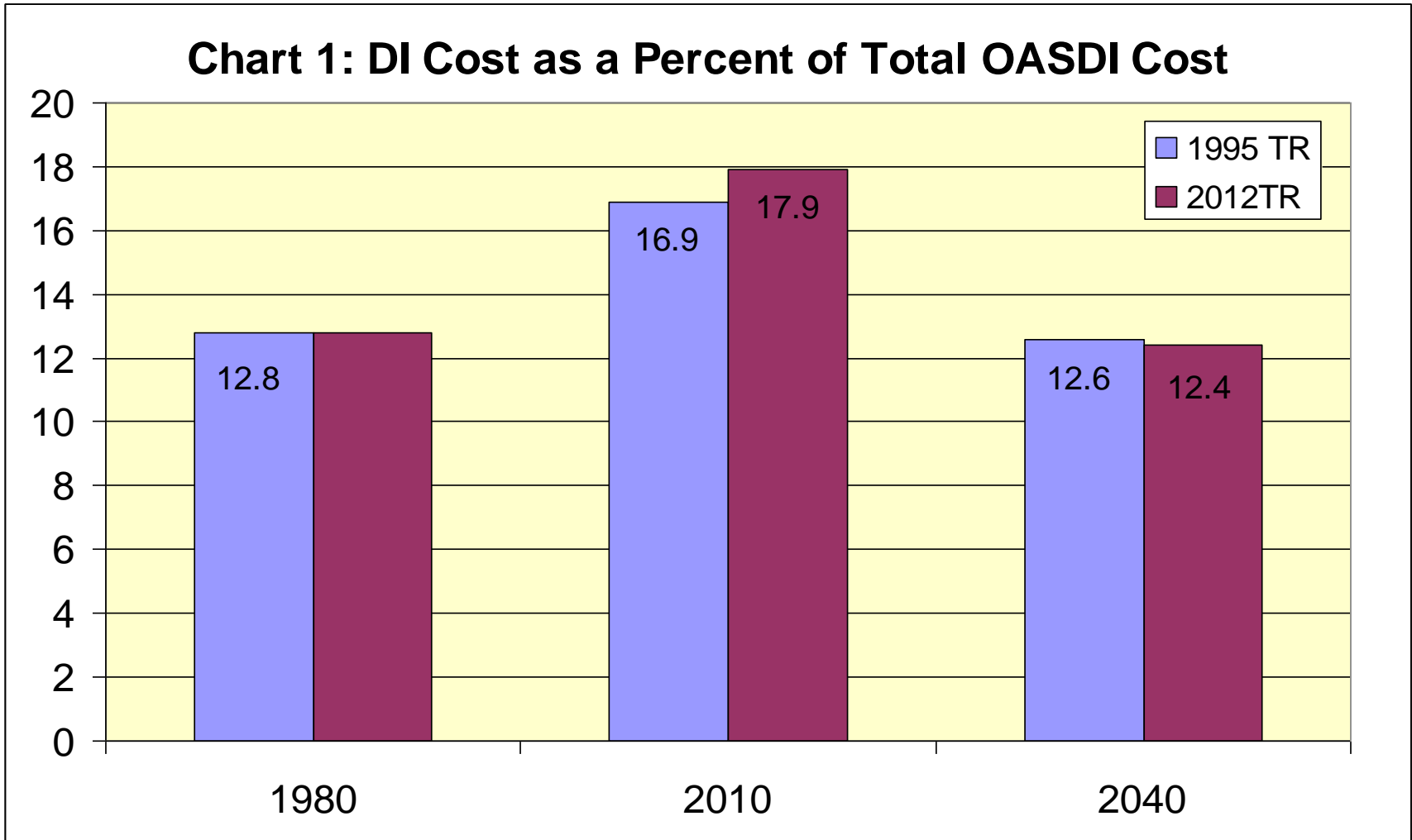
- 1) **The current federal disability growth trajectory cannot be sustained**
  - *Obviously not. All factors increasing growth have peaked.*
  - *Future growth will slow and flatten naturally.*
  - *This has been understood and projected for decades.*
  
- 2) **Fundamental restructuring of the eligibility and disability service system is required to avoid fund exhaustion, increased tax burdens and unacceptable reductions in the active labor force.**
  - *Obviously not. Tax rate is simply set too low for the cost.*
  - *Could increase payroll tax by about 0.4% in 2016, or*
  - *Could reduce benefits by 20% for 2016 and later, or*
  - *Some combination of the two!*

# How Have We Done Projecting DI Trust Fund Solvency?

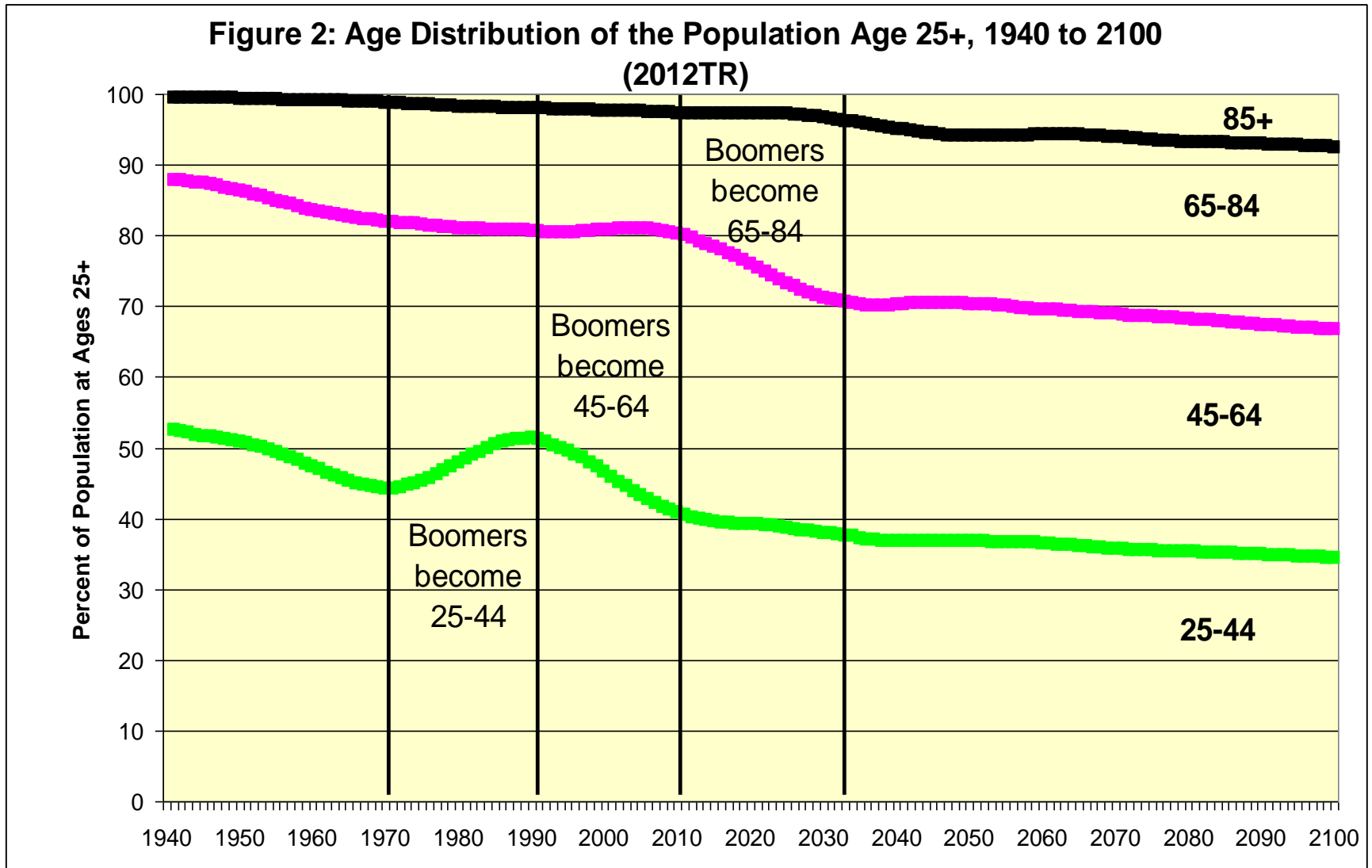


# Is DI Out of Control, Taking Over OASDI OASDI?

*(Note 7% increase in DI Cost for 2010 Due to Recession)*

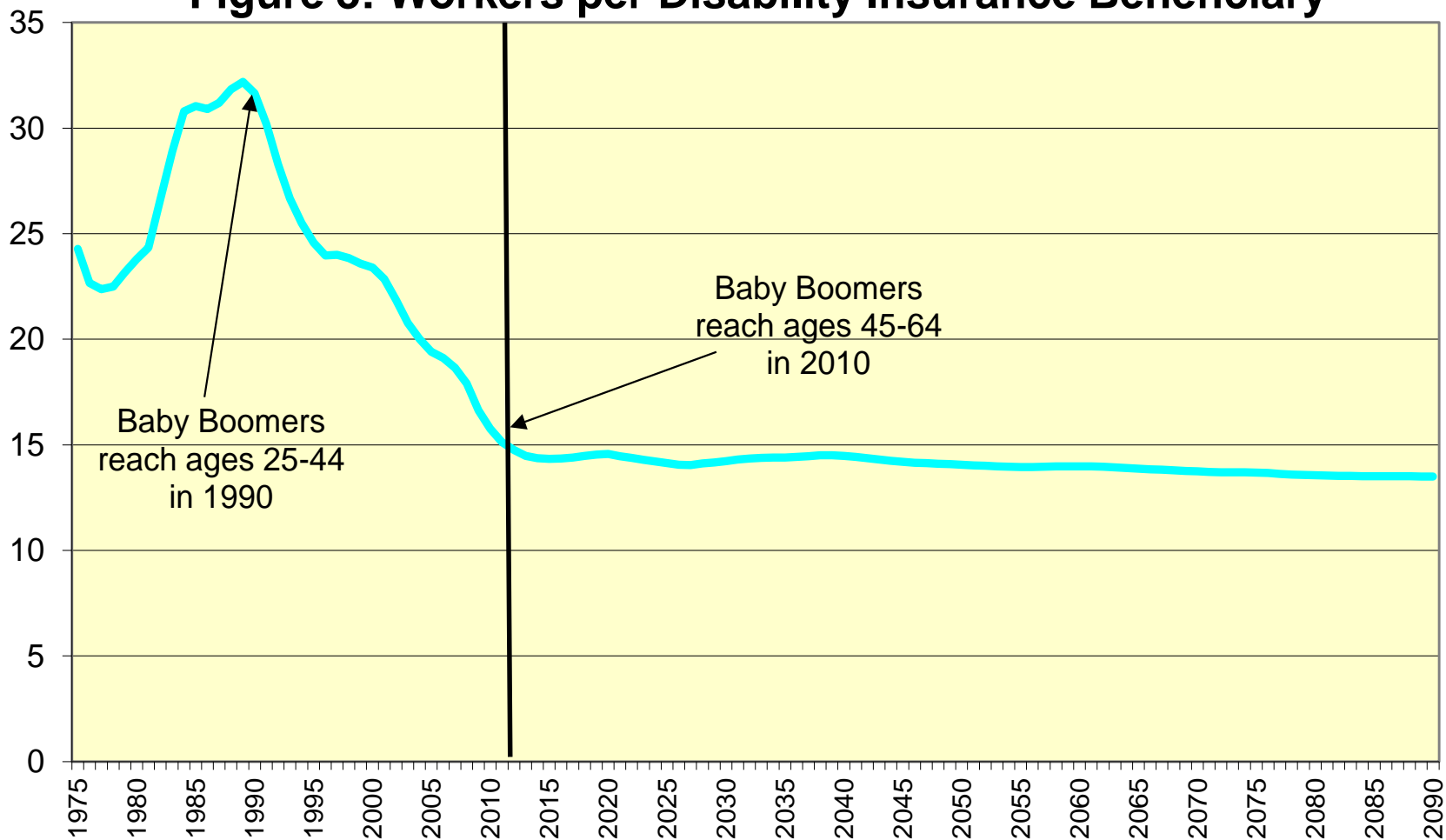


# As usual, it is mostly about “Aging”

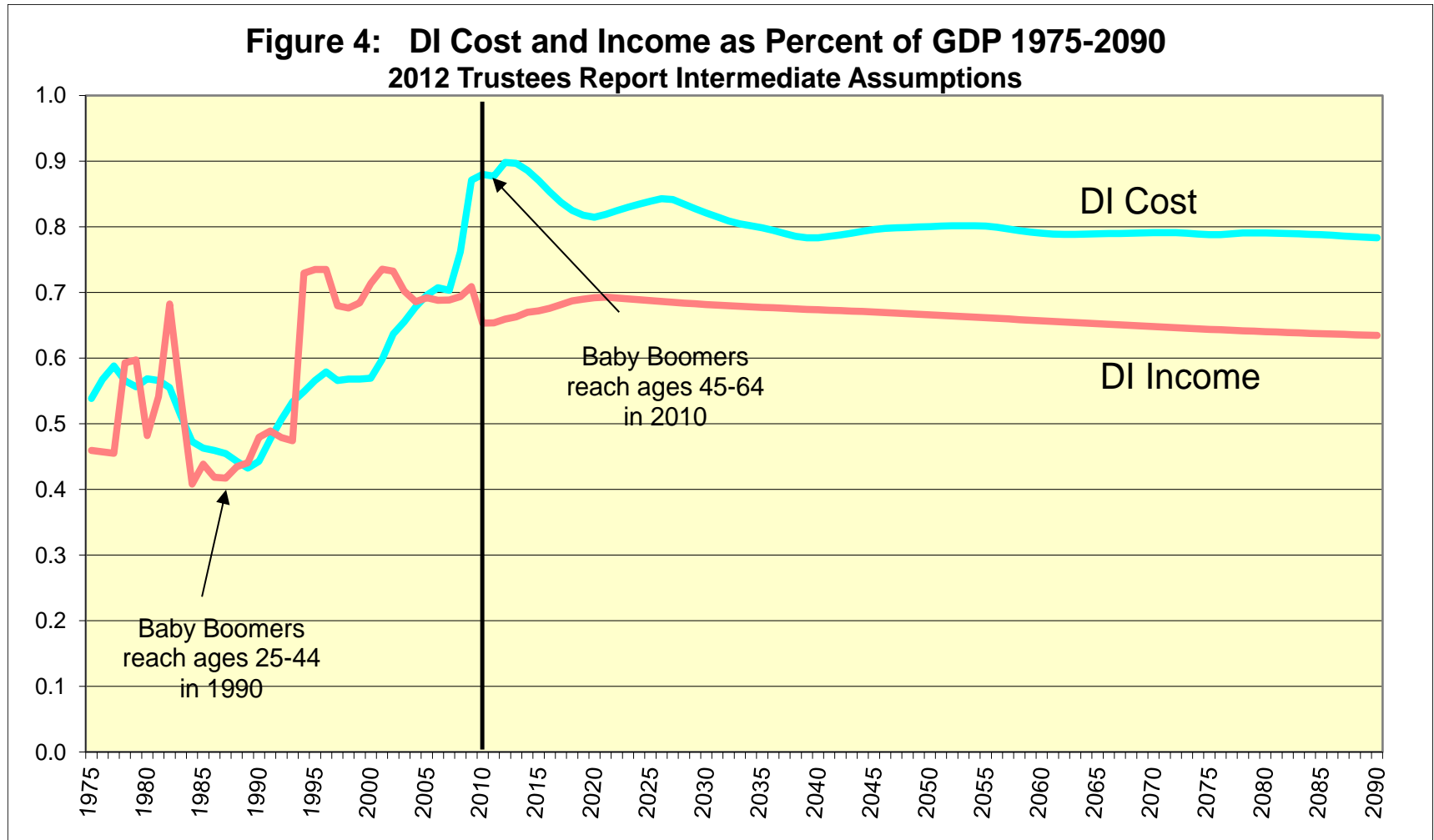


# Shift down in tax-paying workers per DI beneficiary is now complete

**Figure 3: Workers per Disability Insurance Beneficiary**



# Thus, DI cost as percent of GDP has peaked, but scheduled income is too low



# Drivers of increased DI cost between 1980 and 2010

Disabled worker beneficiaries up by **187%**

- I. A **41%** increase in population age 20-64
- II. “Aging” added **38%** -- Boomers now 45-64
- III. An **8%** increase in insured (net of undocumented population increase) Insured alone much more
- IV. A **42%** increase in age-adjusted prevalence:  
*female incidence, younger incidence,  
lower death rates*



## So Where Are We on DI?

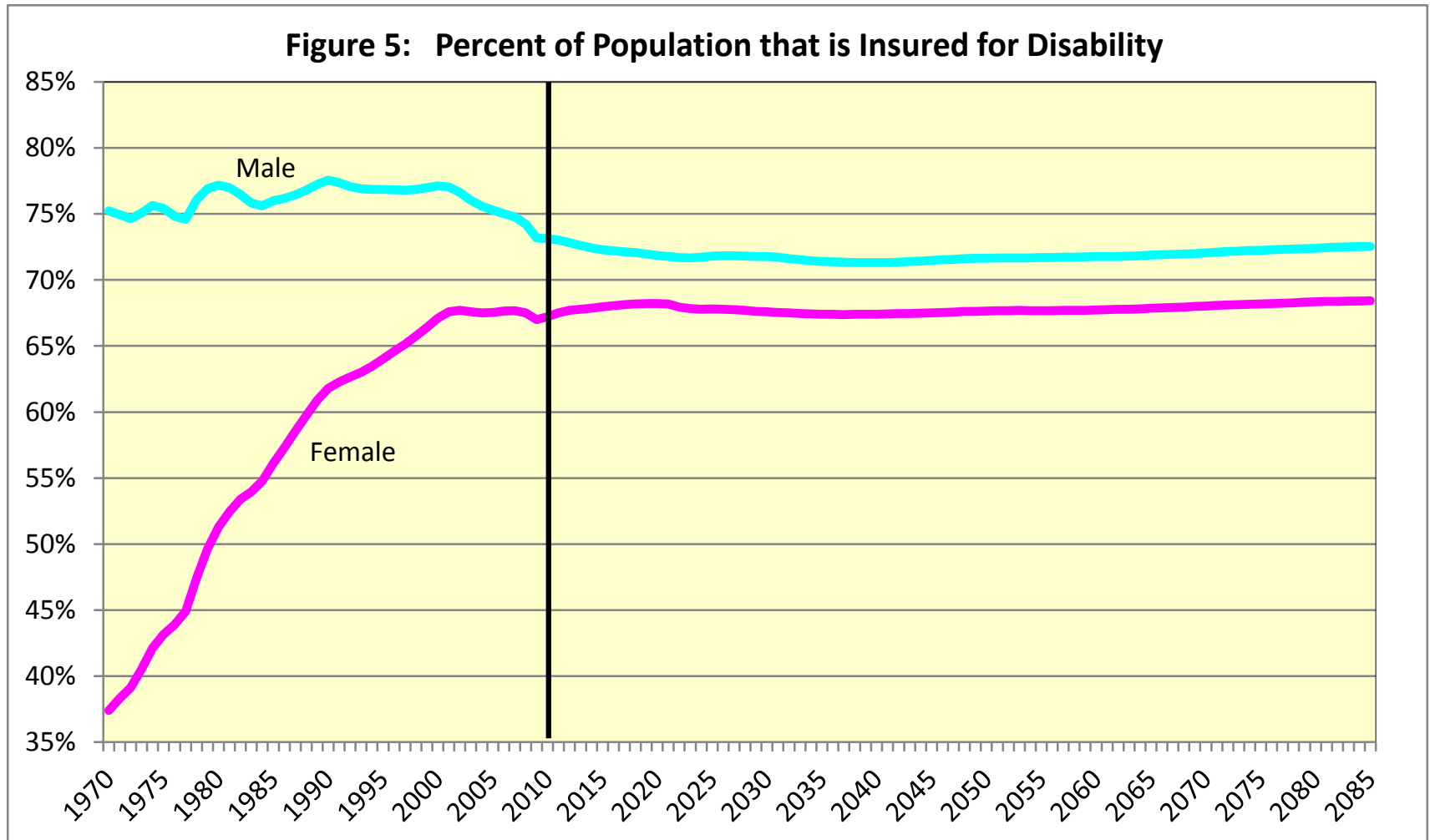
- Is the sky falling, cost out of control? *No.*
- Or are we following a path foreseen? *Yes.*
  
- Actuarial Deficit for DI is 0.37 percent of Payroll

### So we could---

- Increase tax rate or eliminate the Tax Max for DI
- Or lower the benefit (PIA level)
- Time limit Benefits, increase vocational grid ages,  
These would have some small effects
- Note, Increasing NRA shifts cost to DI

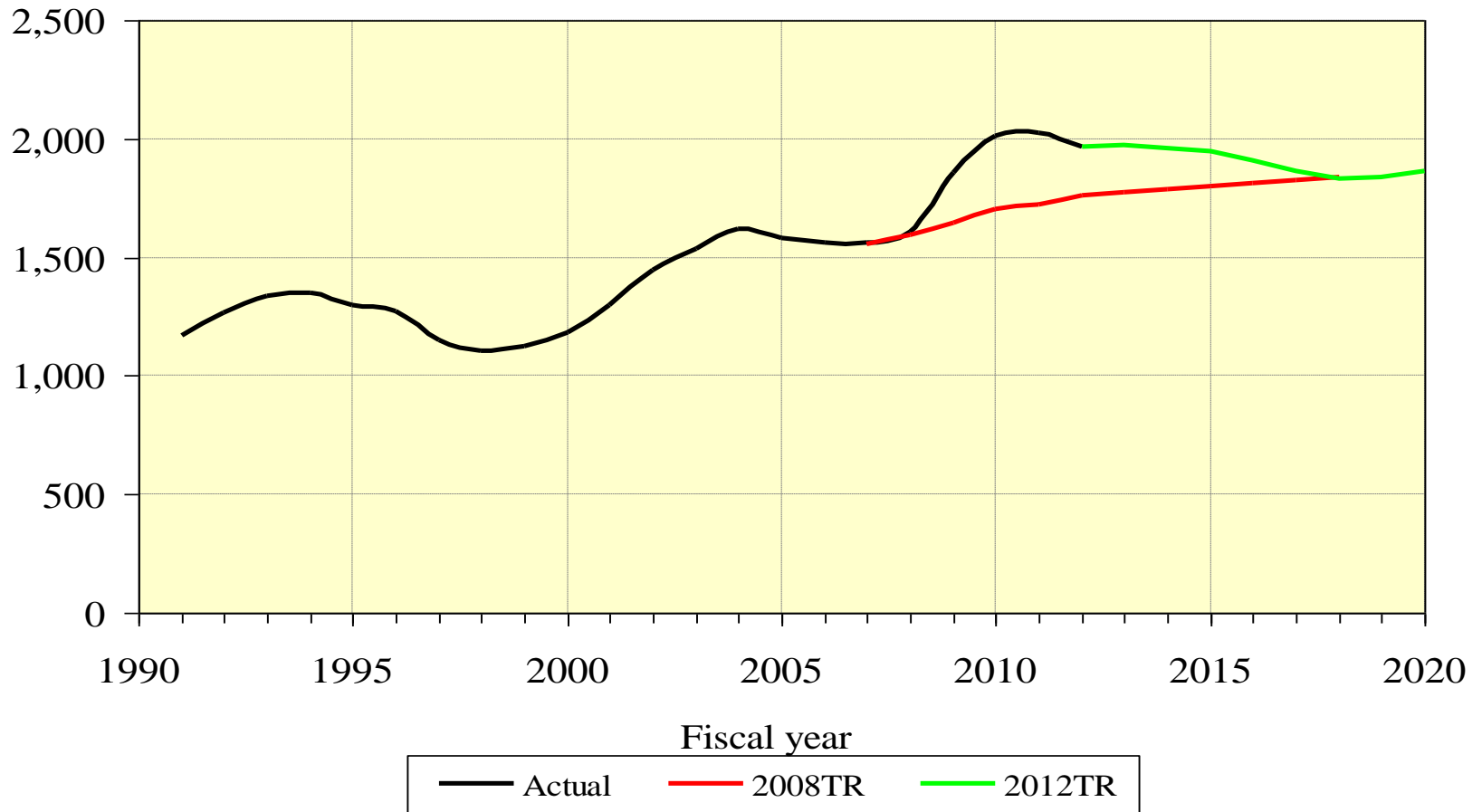
- 2) ADDITIONAL MATERIAL FOR DISCUSSION

## 2) Increased work by women raised insured; partially offset by more undocumented

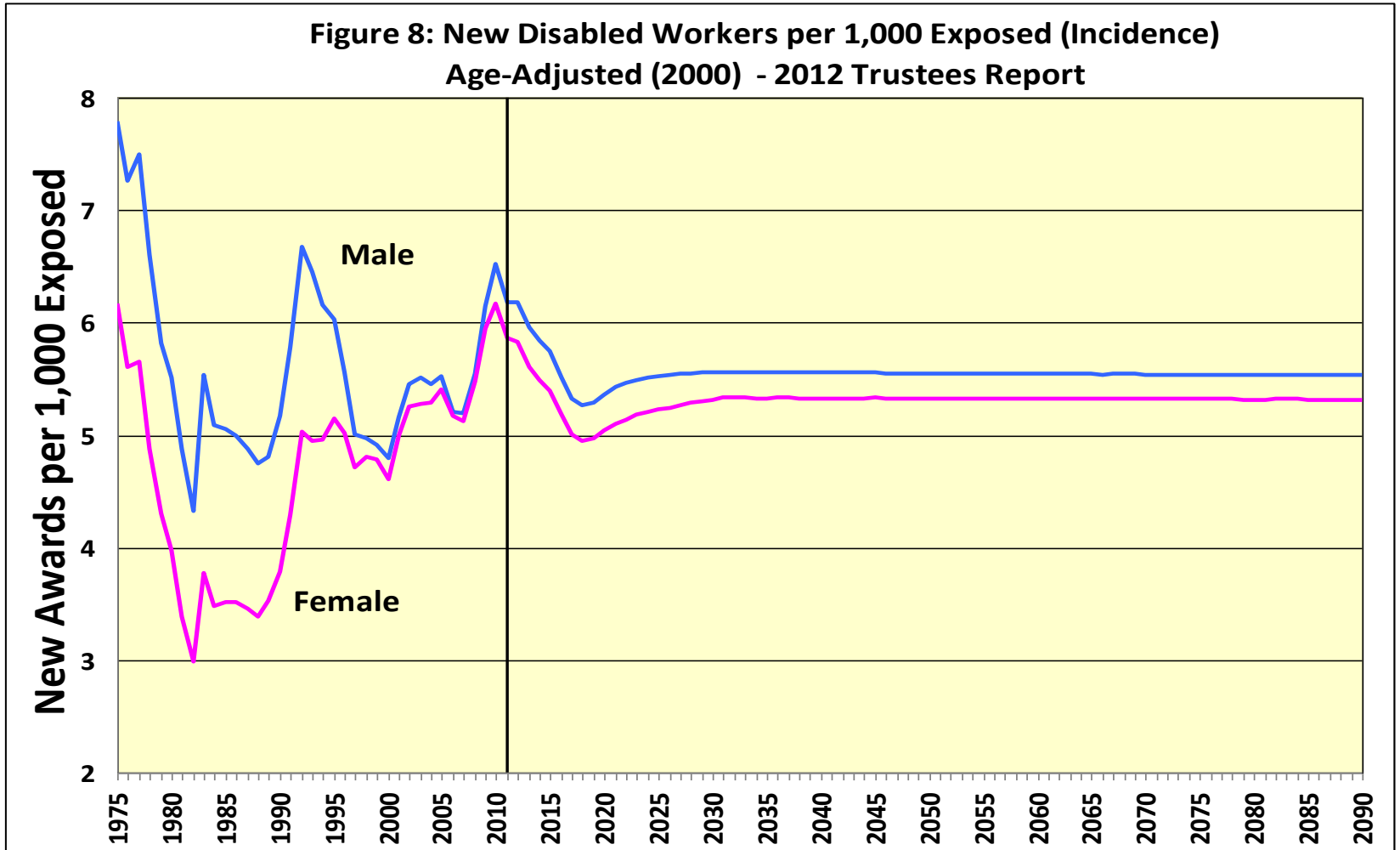


### 3) Recessions matter: applications jumped in recent recession

Figure 7: OASDI DDS Applications: Disabled workers, children and widows (*thousands*)

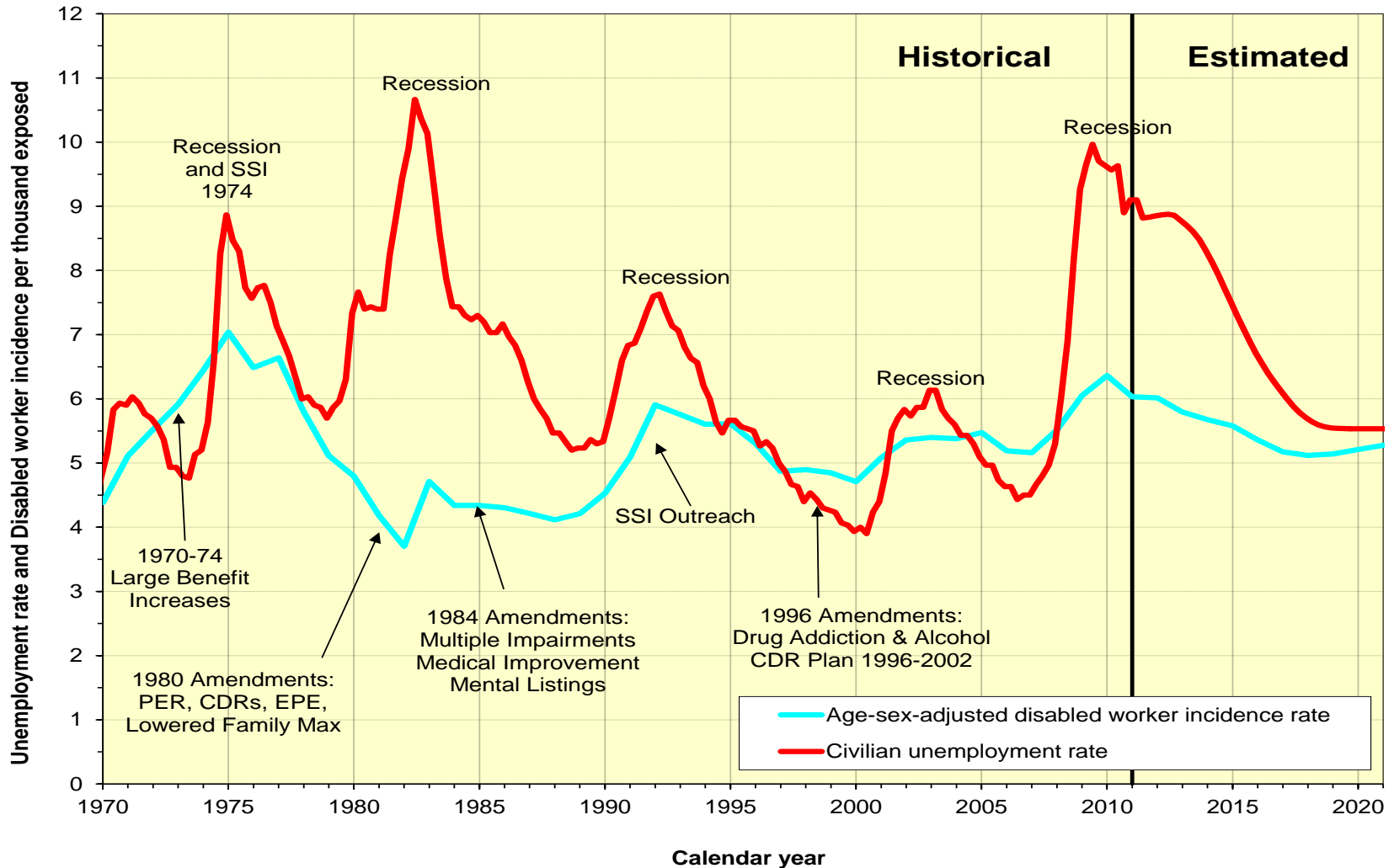


# 3) Incidence rates for women have risen to male level

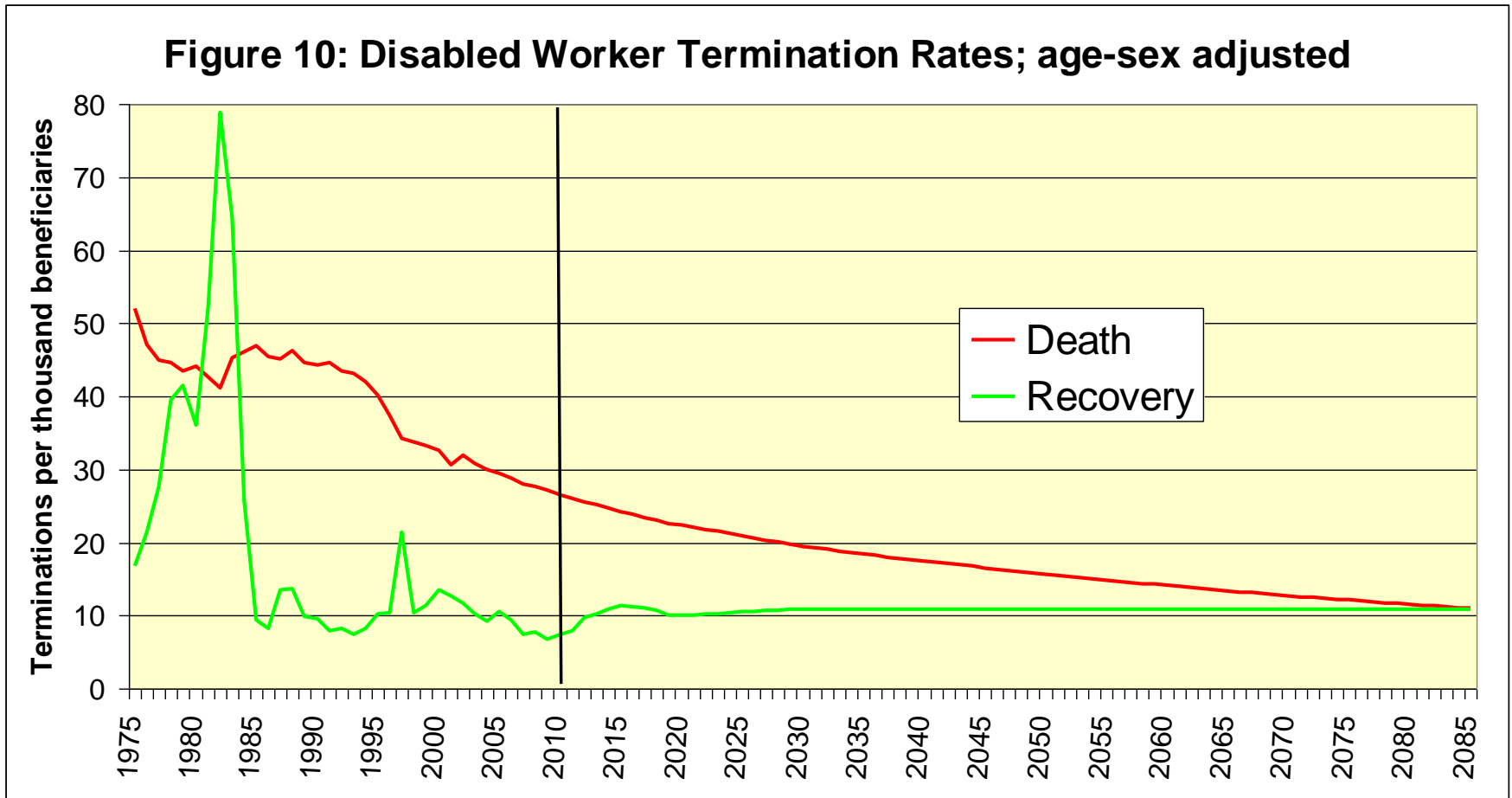


# 3) Economic cycles and policy changes fluctuate

Figure 9: Effects of Economic Cycles and Policy Changes on DI Incidence Rates

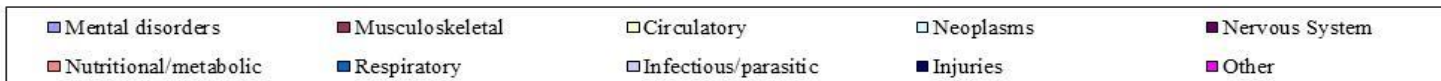
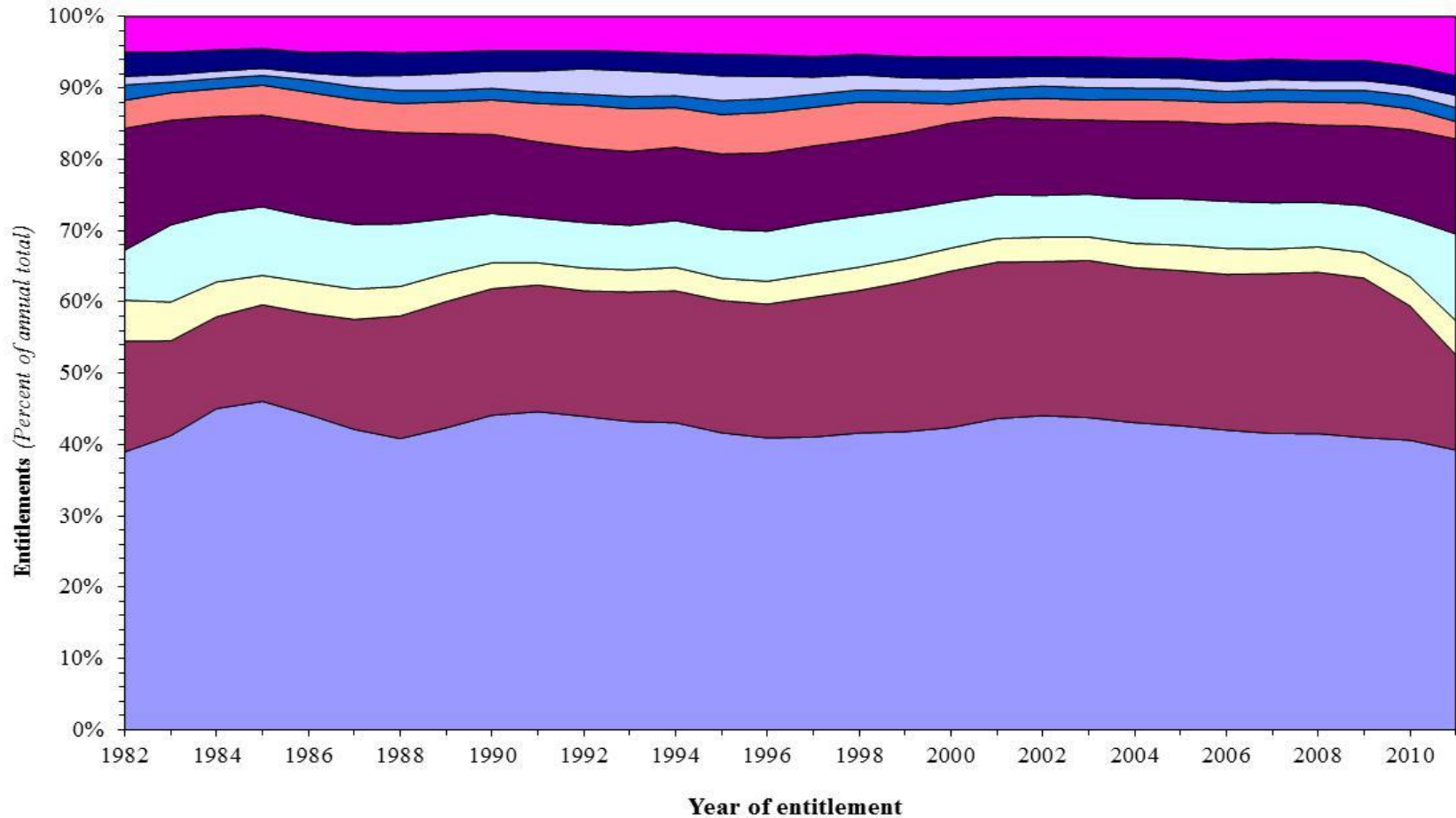


### 3) Death rates dropping: recovery rates steady since 1985 (half medical, half work)



# 4) Young females: steady distribution by medical impairment

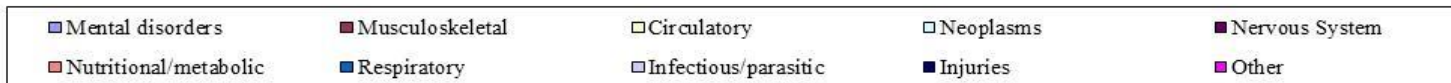
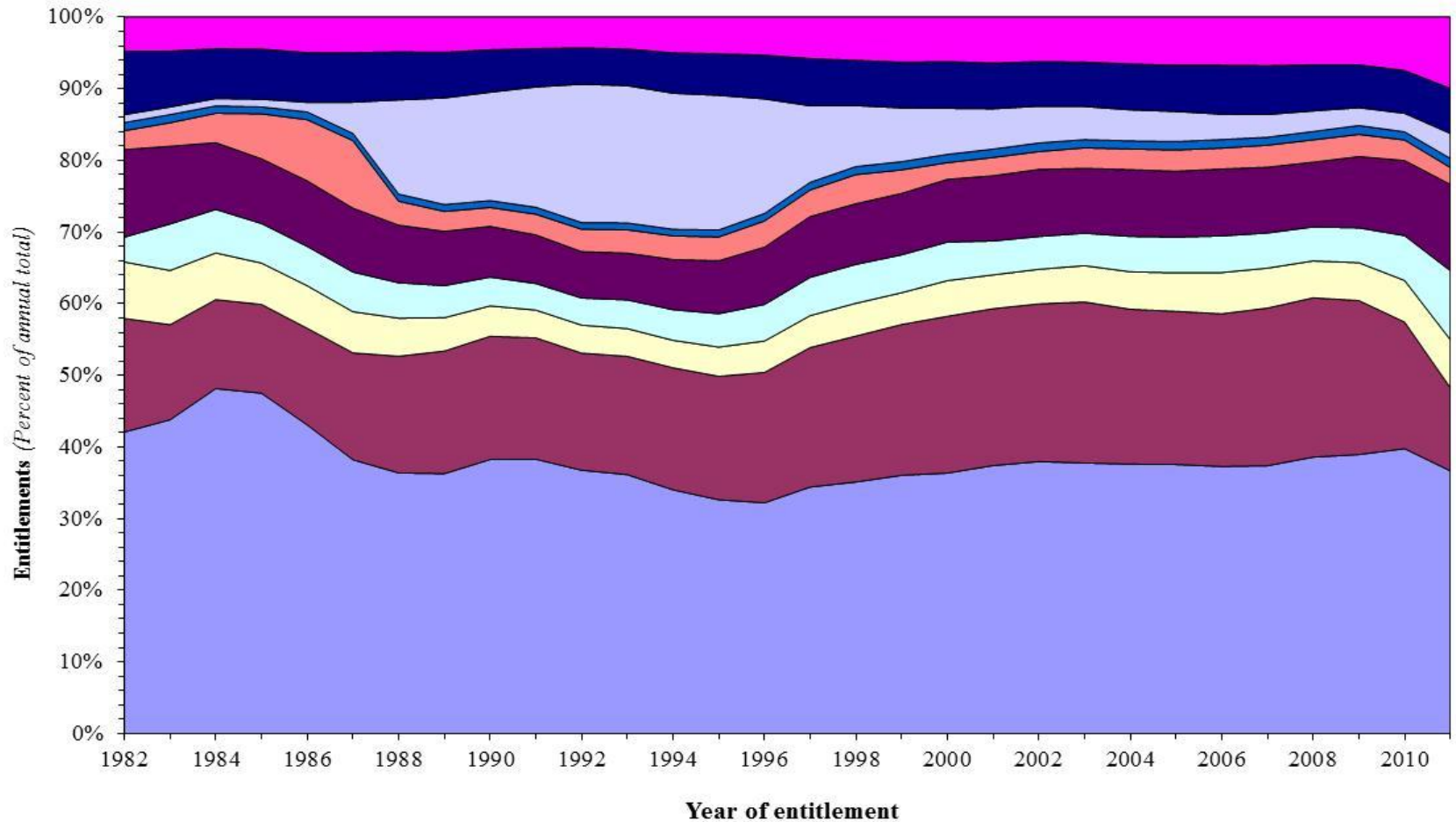
Figure 12: Female Age 30-39 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)





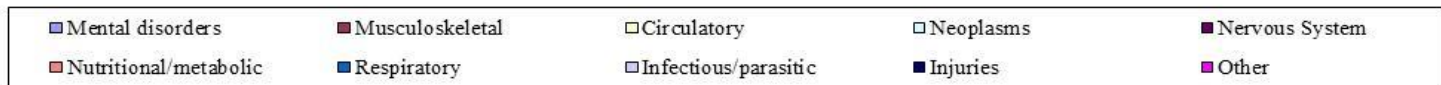
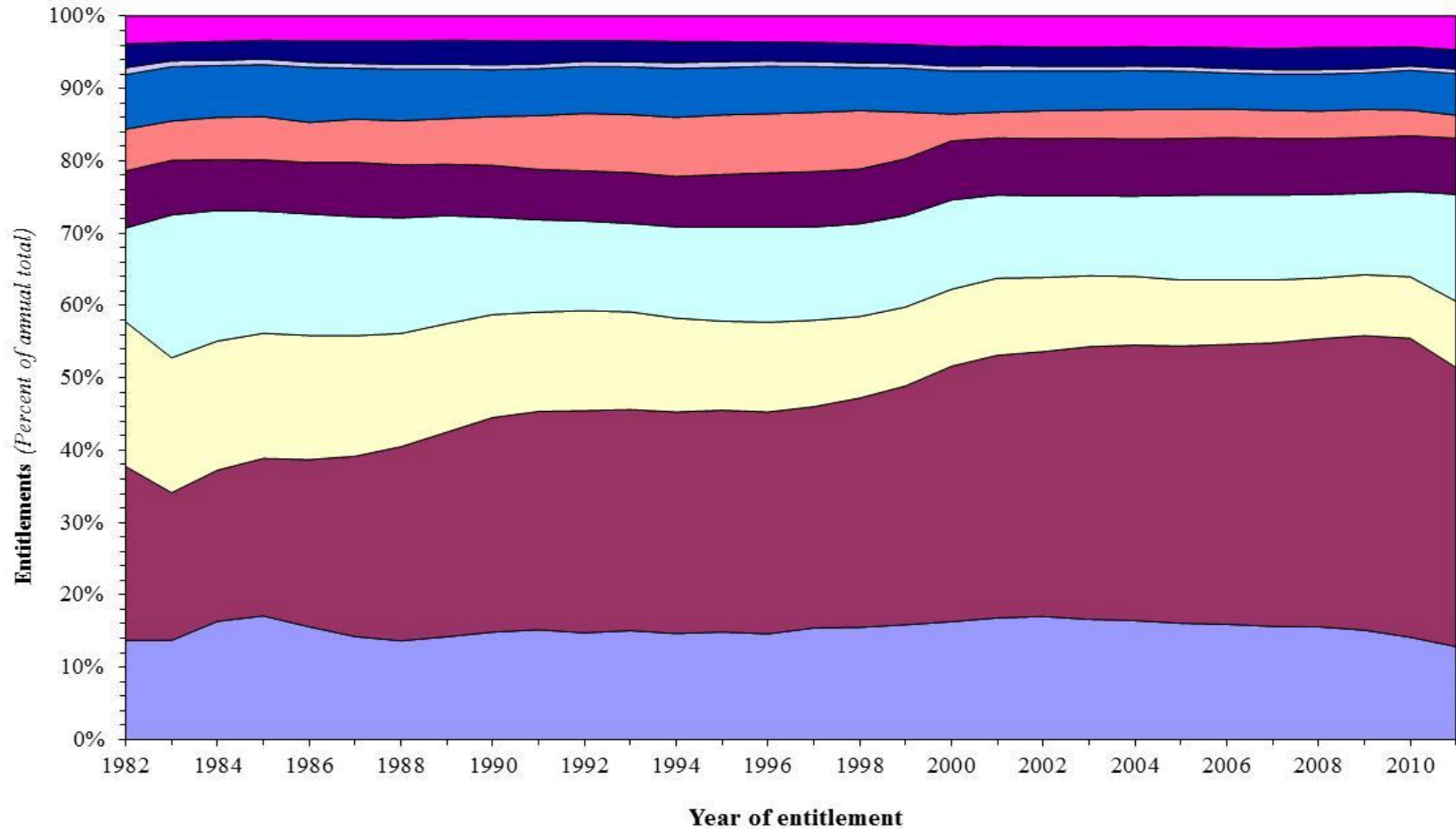
# 4) Young males: steady but for HIV bulge in 1986-2000

Figure 13: Male Age 30-39 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



# 4) Older females: increased musculoskeletal impairment

Figure 14: Female Age 50-59 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



# 4) Older males: increased musculoskeletal impairment; less cardiovascular

Figure 15: Male Age 50-59 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)

