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UNDERSTANDING AND PROJECTING THE RISE IN SSDI ENROLLMENT

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Hypothesis: Topic A

1. The current federal disability growth trajectory cannot be sustained

- **SSDI growth: Rapid, ongoing, costly for 25 years**
- **Growth was *not predicted* by OACT**
- **Growth *not* due mostly to aging or more women working**
- **OACT's current projections are *too rosy***

2. Fundamental restructuring of the eligibility and disability service system is required...

- **Many ways to address the problem**
- **First step is to *acknowledge* the problem**

Purpose of these comments

1. Review: Why has SSDI grown so much?

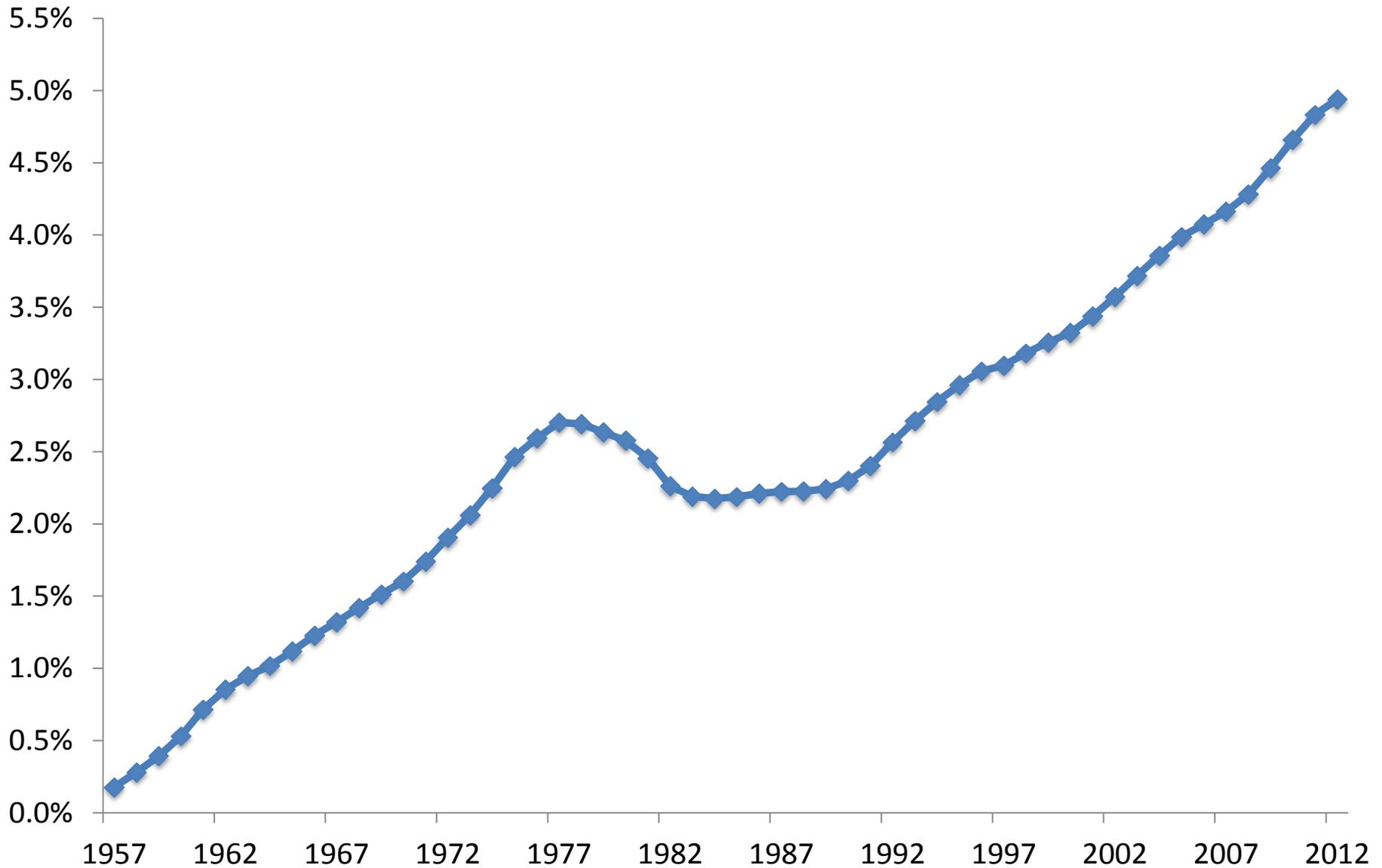
2. Dispel two myths

- **Myth 1**: “The growth of SSDI is mostly due to the baby boom aging and more women working”
- **Myth 2**: We are following “a path foreseen” by OACT
- *Both claims are inaccurate*

3. Correct the record going forward

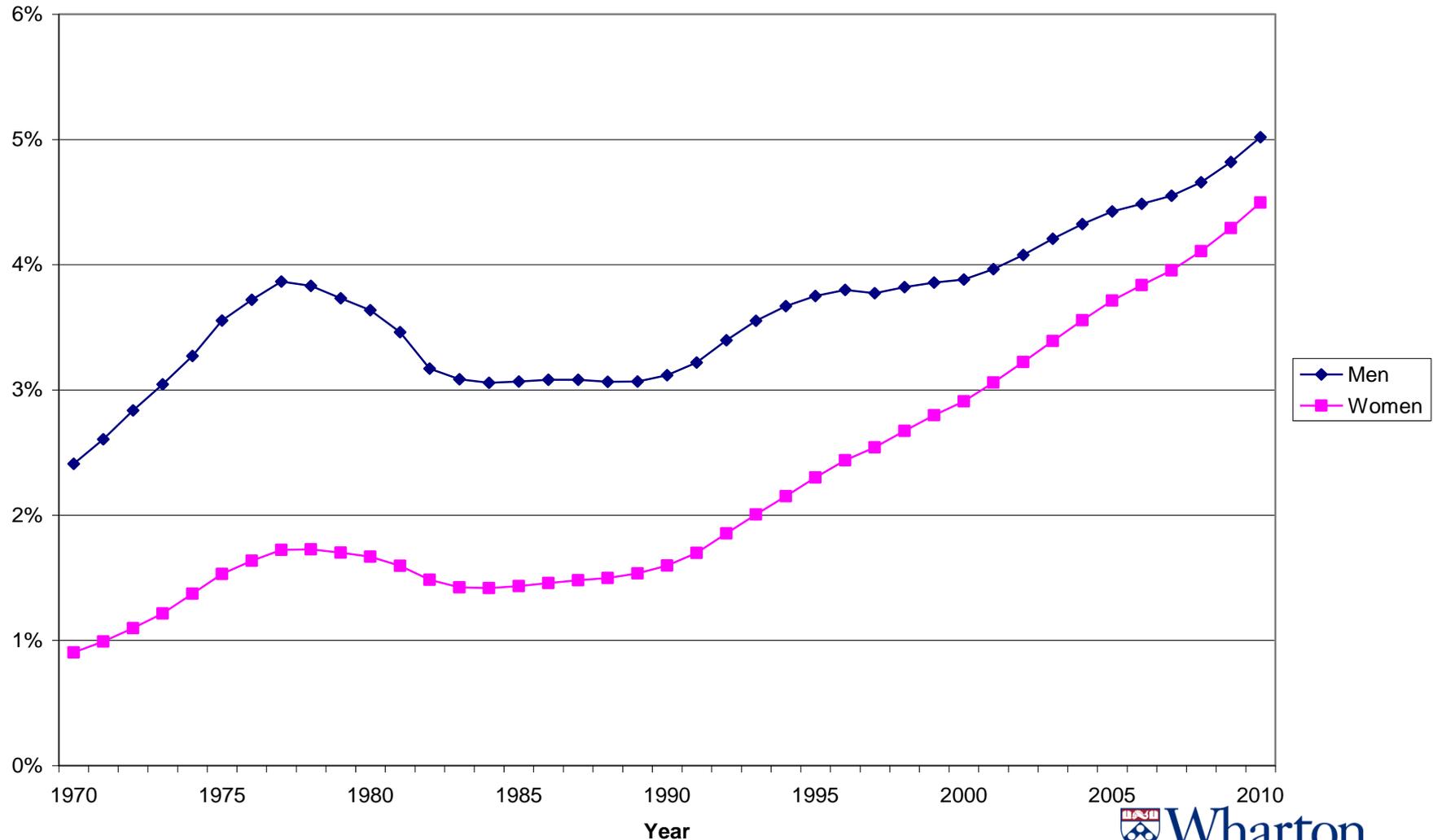
- *OACT again under-predicts future program growth*
- *See 2011 Technical Panel on Assumptions and Methods*

SSDI Enrollment among Population 25-64 Steadily Increasing

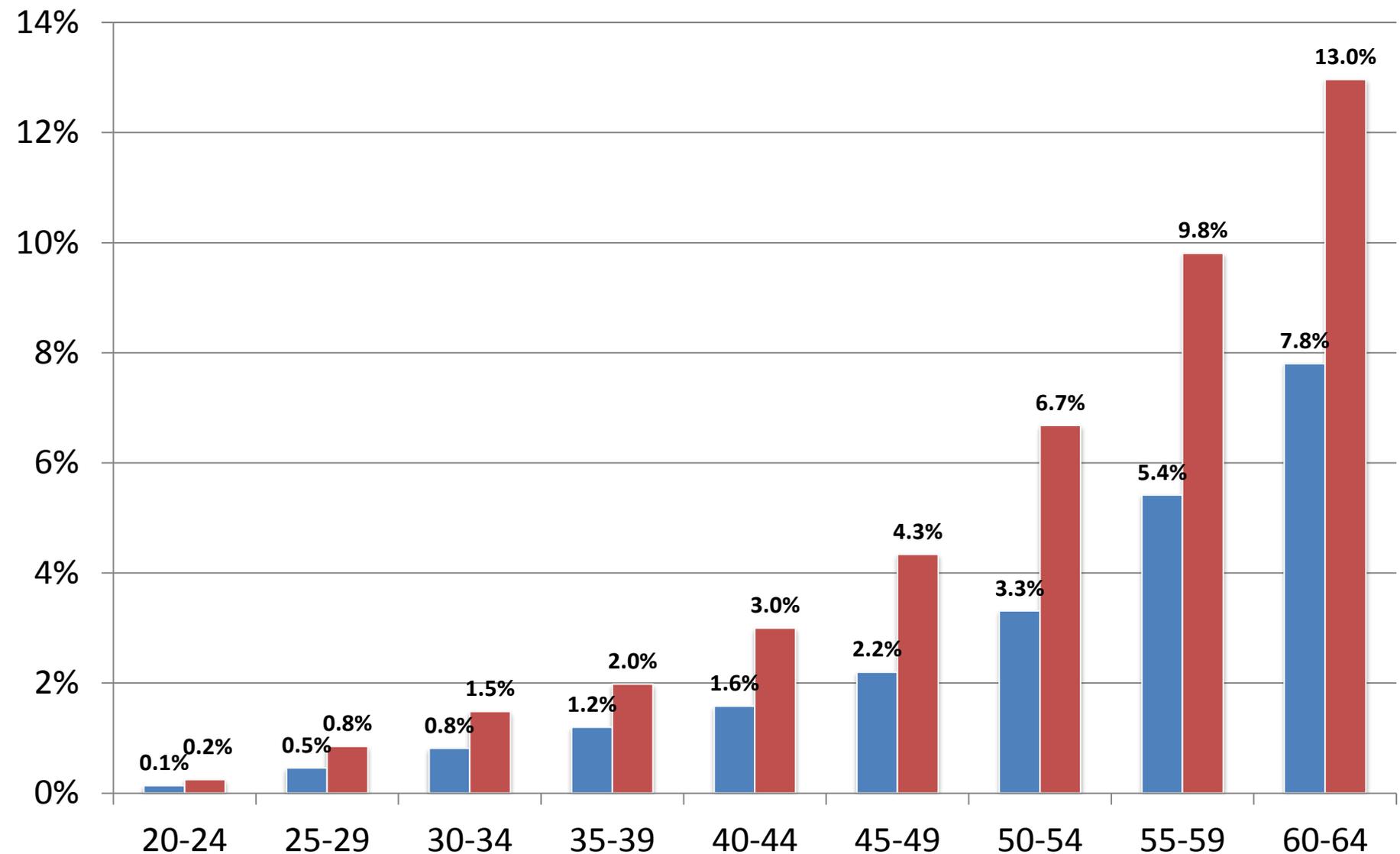


Enrollment Growth Increased among both Men and Women

Figure 1: DI Enrollment among Men and Women Aged 25-64: 1970-2010

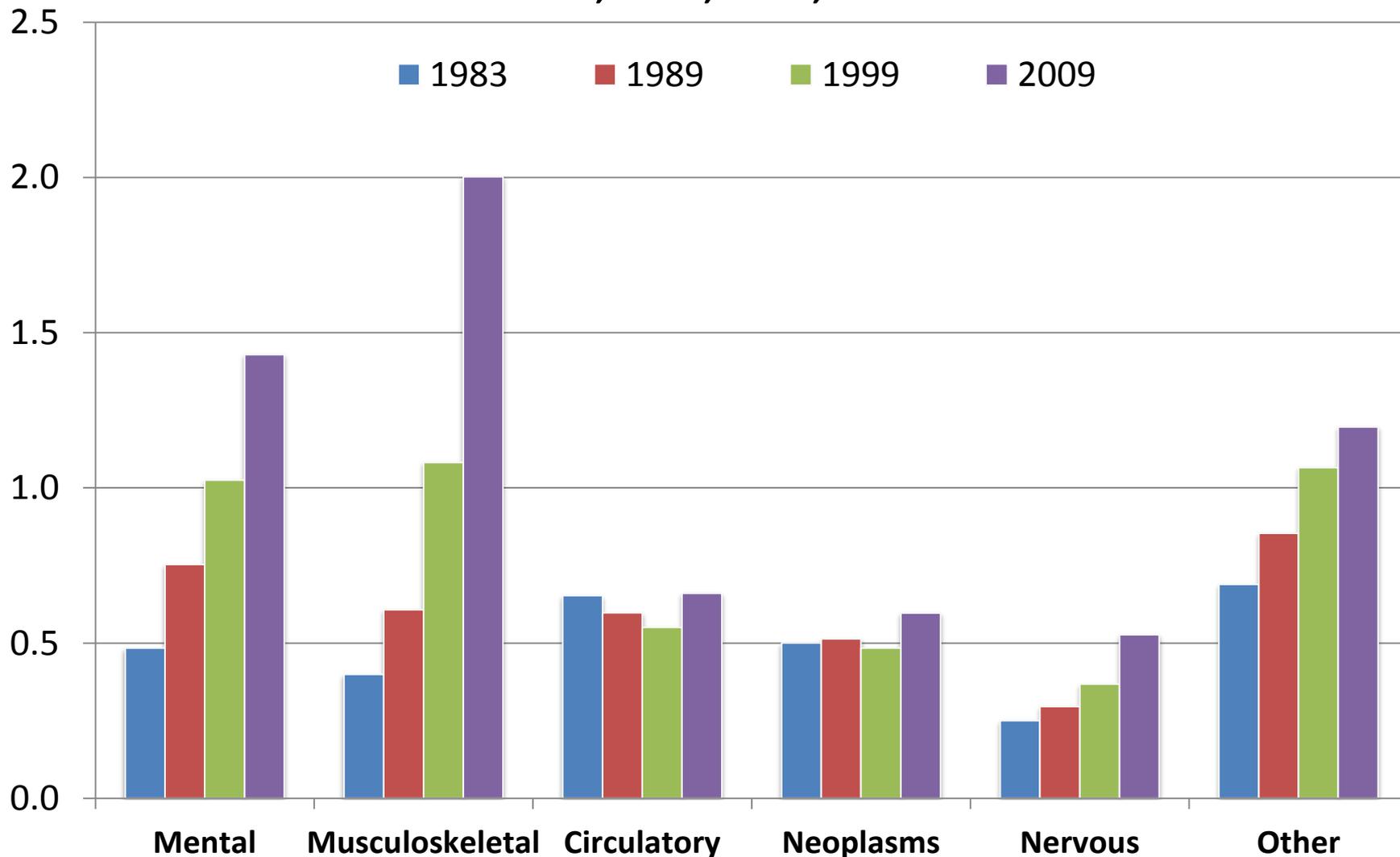


Also by Age Group: Consider 1989 versus 2011

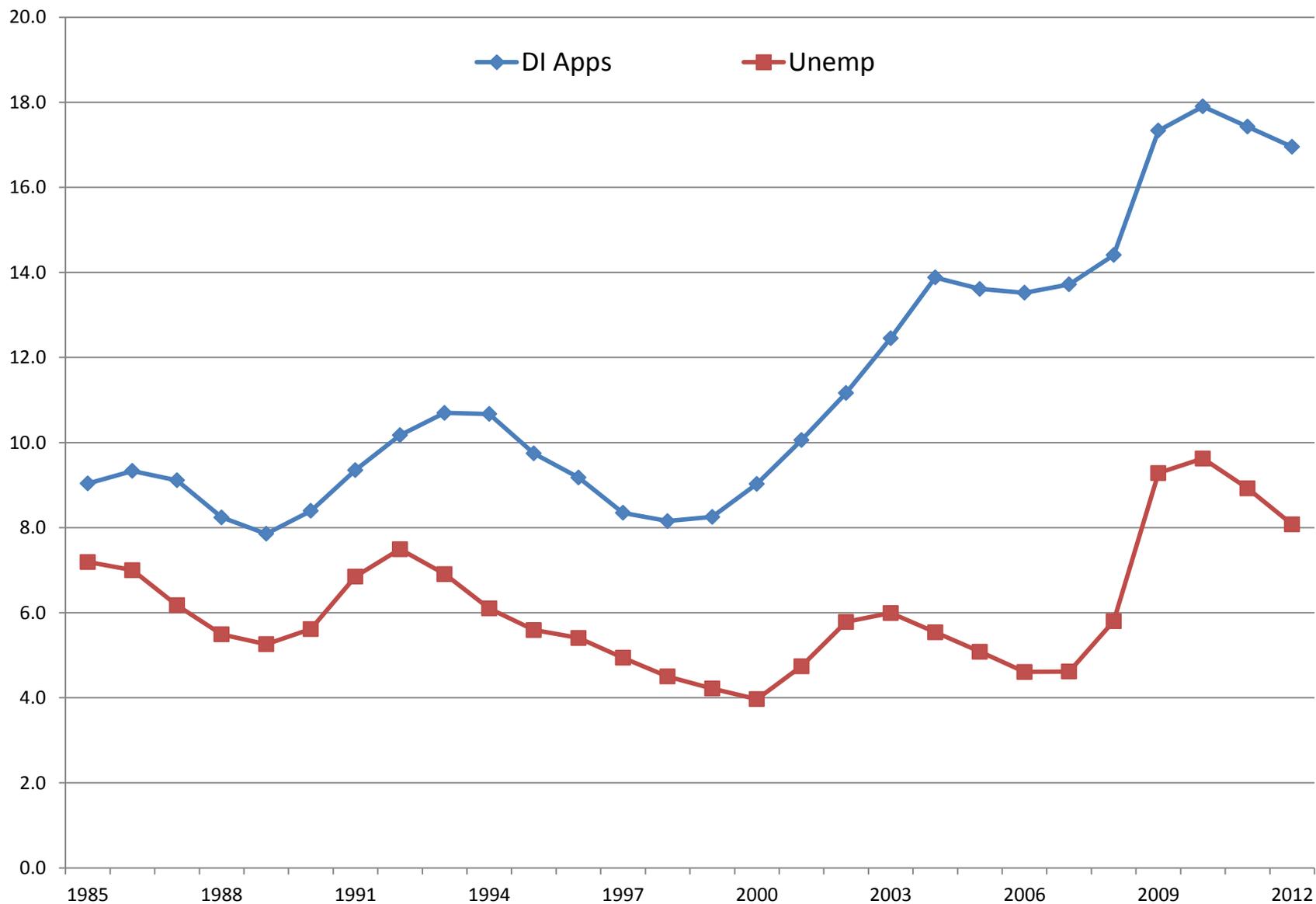


Shift in Awards towards Pain and Mental Disorders

SSDI Awards per 1,000 Insured by Diagnosis Category:
1983, 1989, 1999, 2009



SSDI Increasingly Sensitive to Economic Conditions



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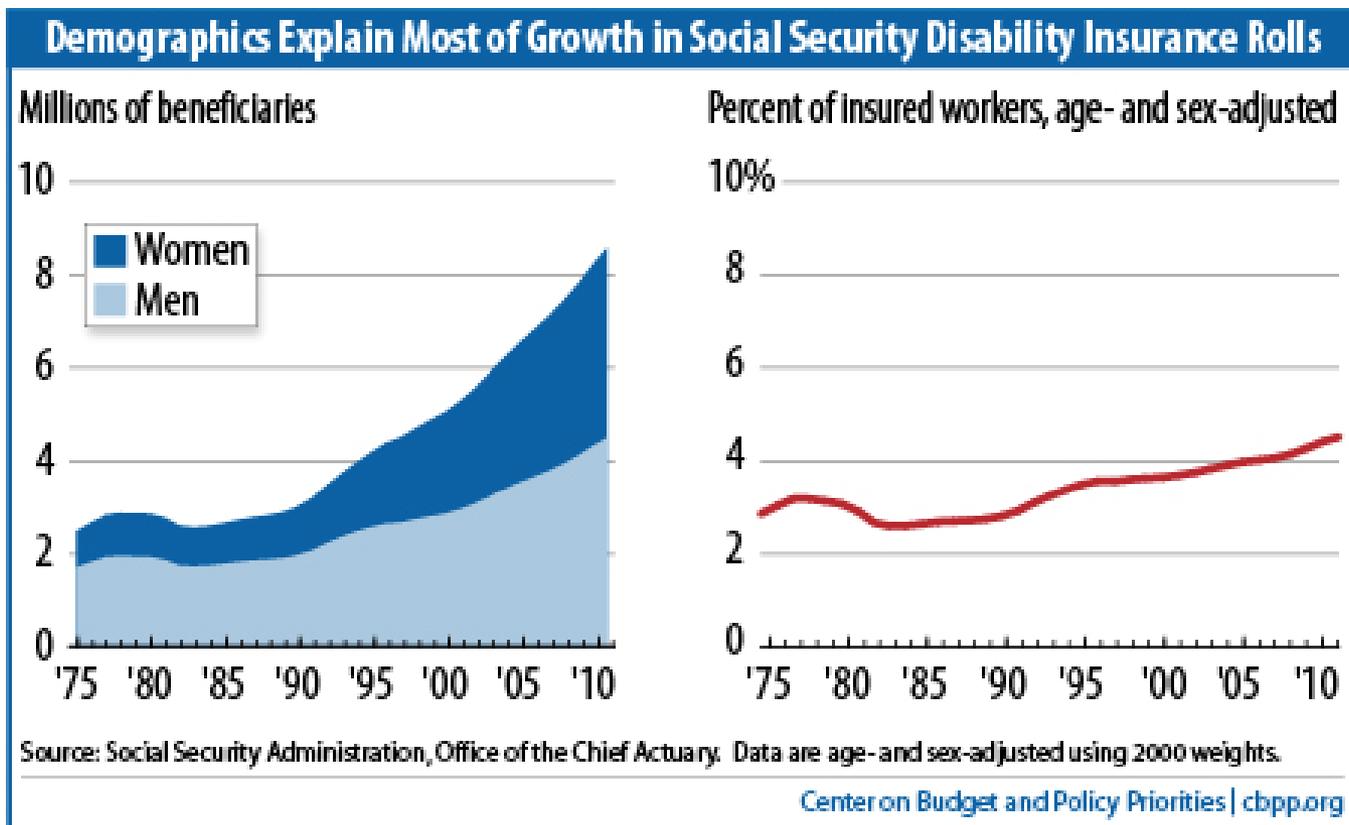
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The Washington Post

The simple, boring reason why disability insurance has exploded

Posted by Brad Plumer on April 1, 2013 at 11:42 am

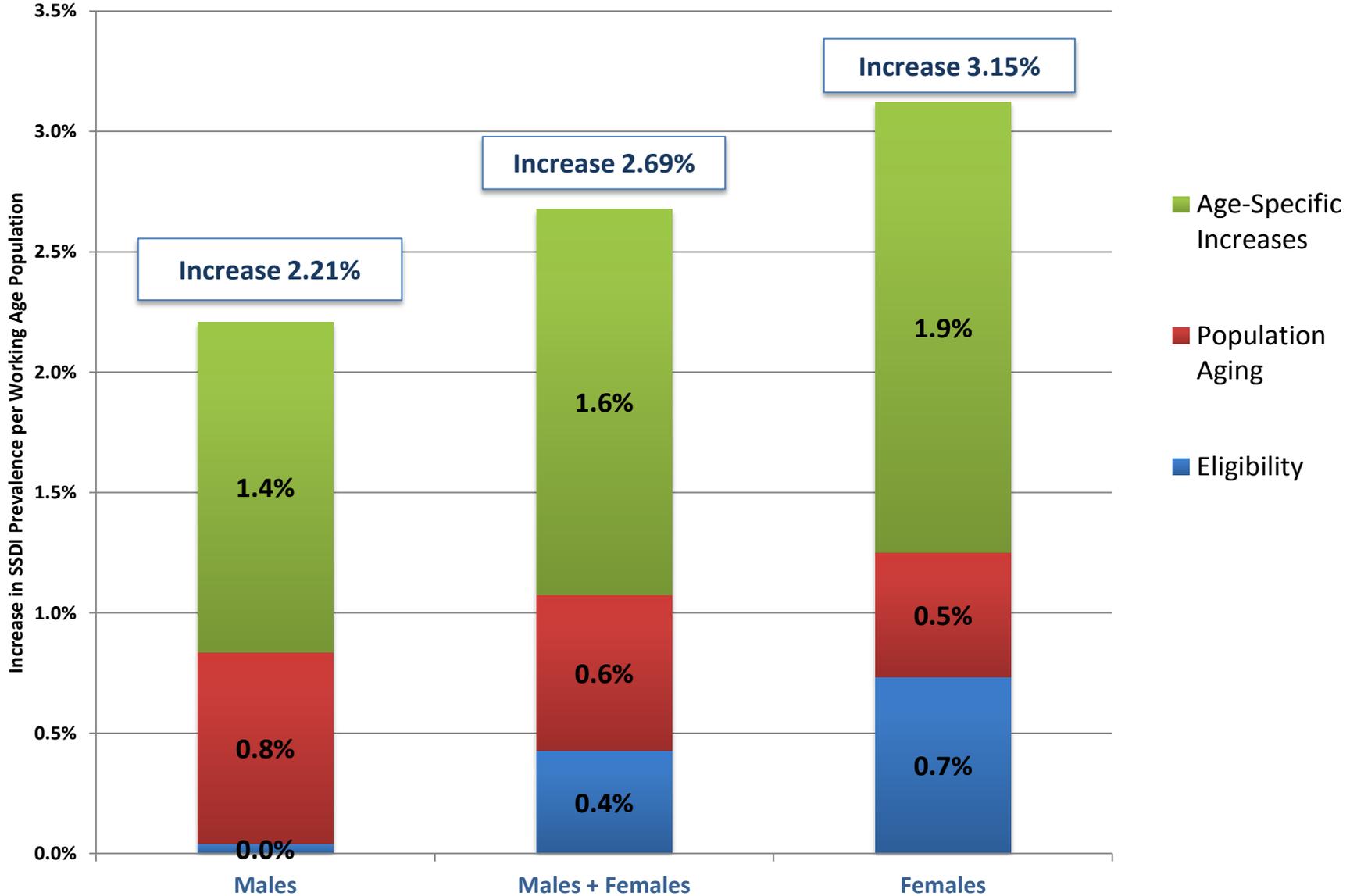


Actually, this claim is *false*: Demographics and eligibility explain just 40% of SSDI growth

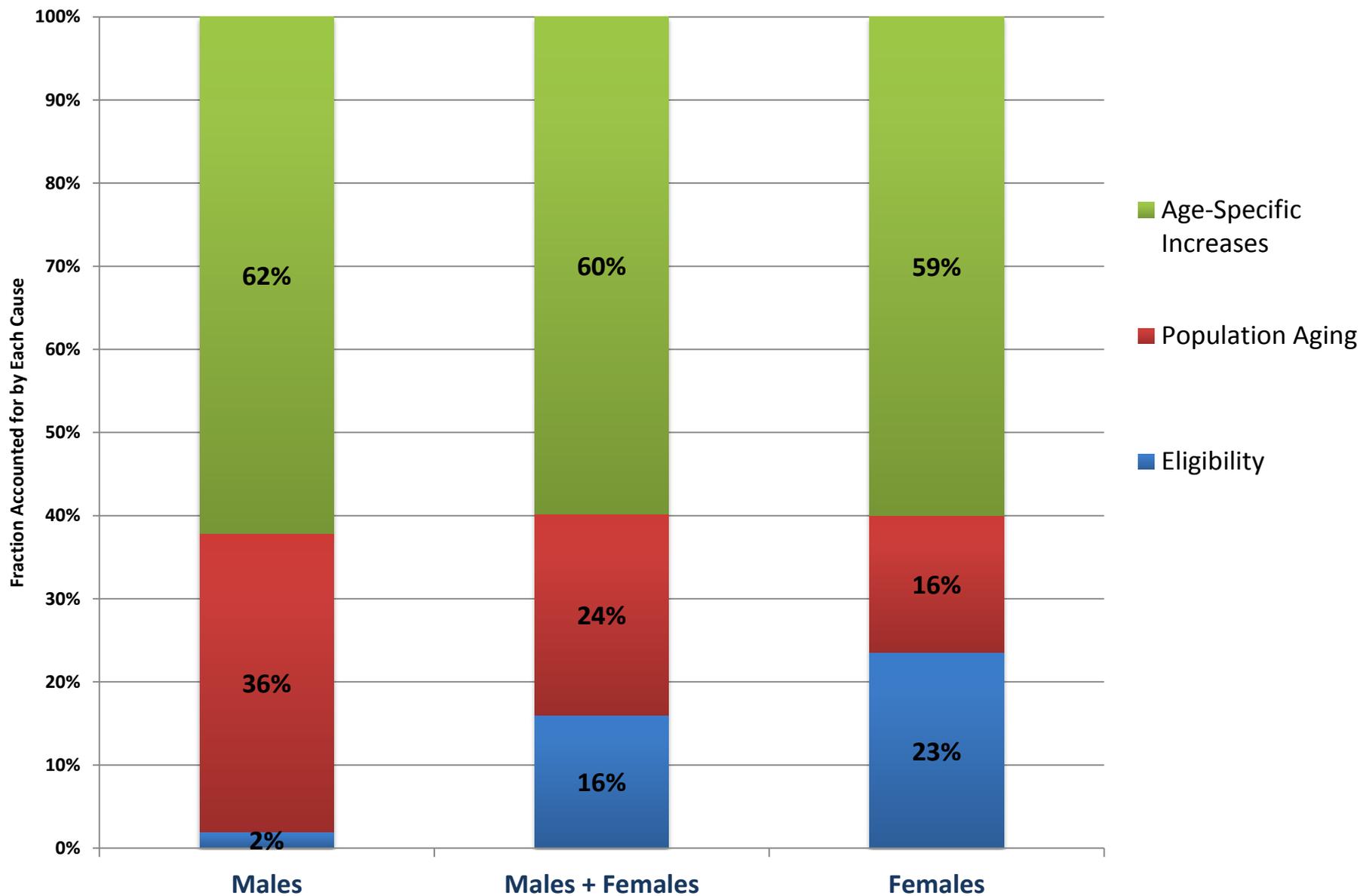
Very simple arithmetic: Three factors account for growth

1. **Change in fraction of adults insured – More women work**
2. **Aging of population – Larger fraction near-elderly**
3. **Change in age-specific prevalence – The *unexplained* factor**

Contributors to Growth of SSDI Prevalence among Adults Ages 25-64, 1989 - 2011



Growth of SSDI Prevalence among Adults Ages 25-64, 1989 - 2011: Fraction Accounted for by Each Cause



2) Drivers of increased DI cost between 1980 and 2010

Disabled worker beneficiaries up by **187%**

– But tax-paying workers up by only 39%

I. A **41%** increase in population age 20-64

II. “Aging” added **38%** to gross prevalence

III. An **8%** increase in insured (net of undocumented
population increase)

IV. A **42%** increase in age-adjusted prevalence:

female incidence, younger, fewer deaths

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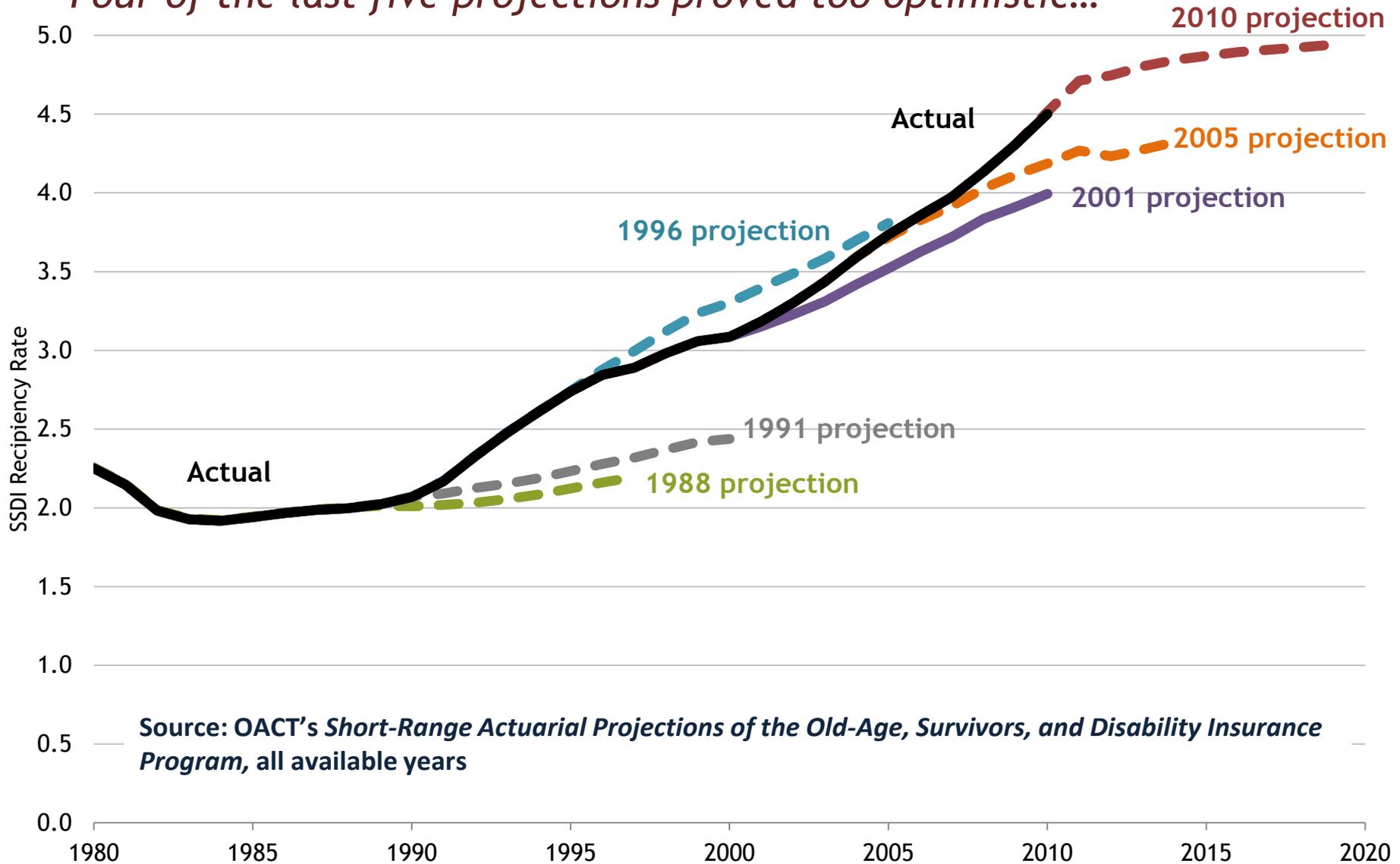
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OACT Has Consistently Under-predicted Growth of SSDI

Four of the last five projections proved too optimistic...



Source: OACT's *Short-Range Actuarial Projections of the Old-Age, Survivors, and Disability Insurance Program*, all available years

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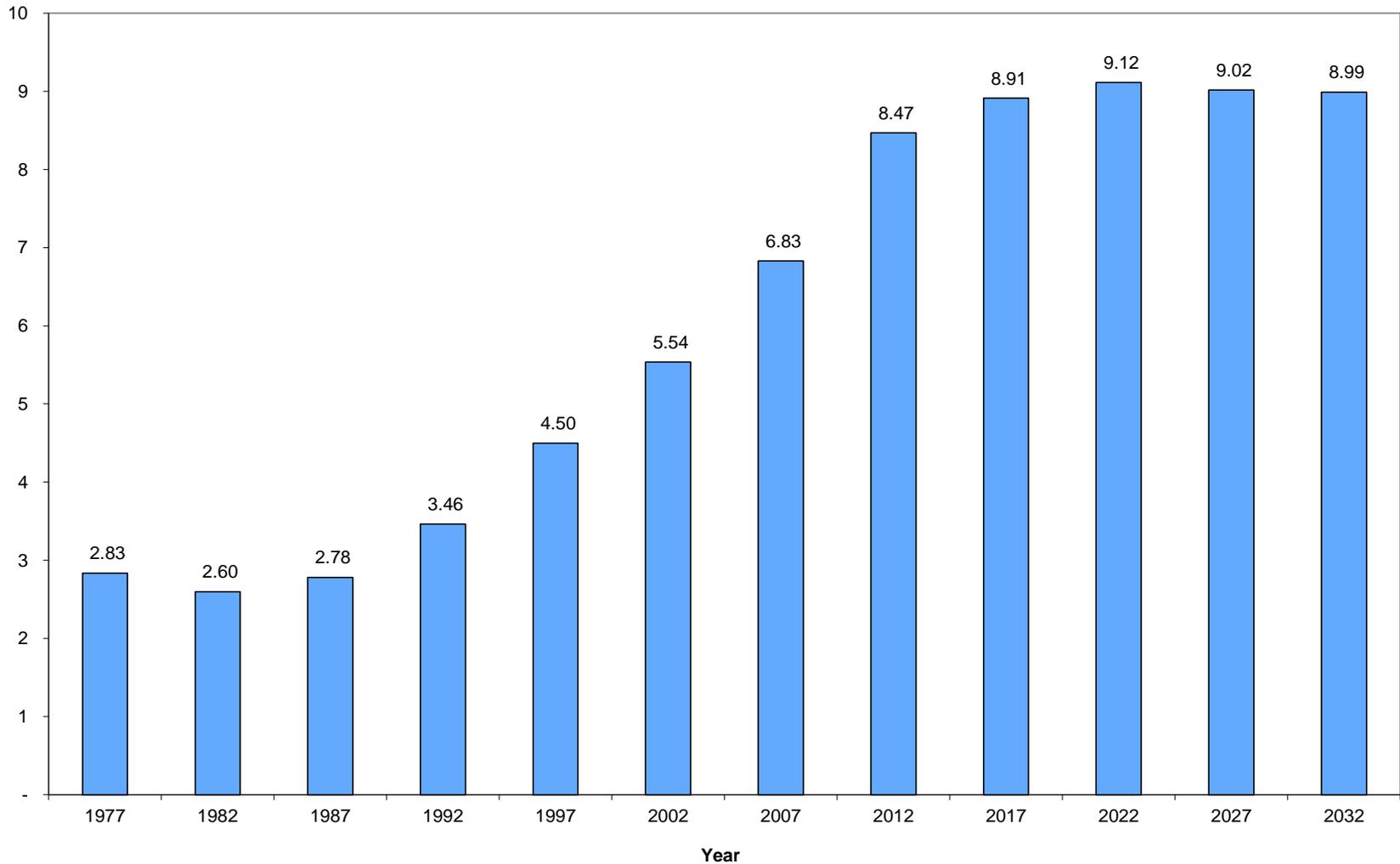
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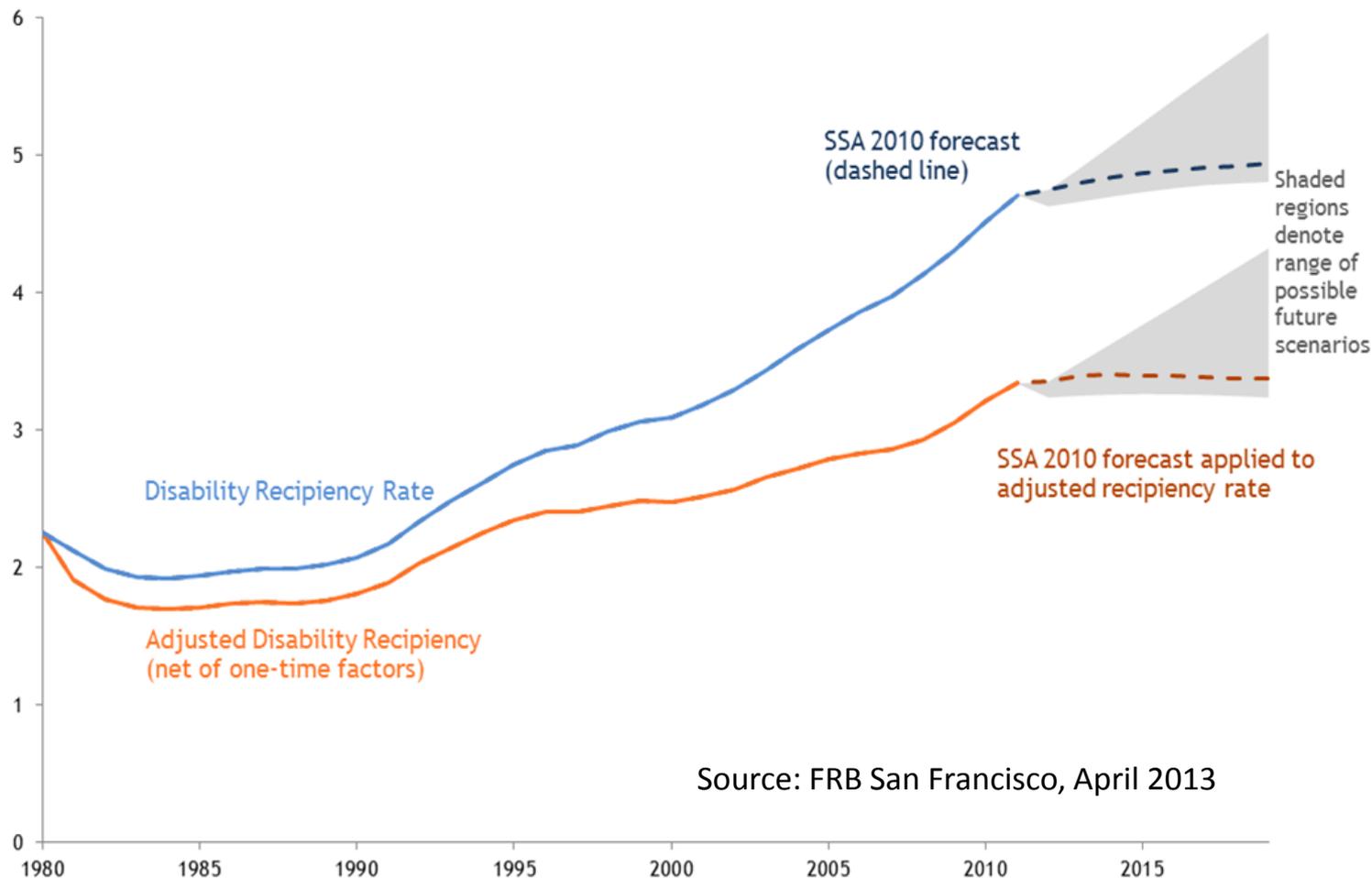
OACT Projects Significant Slowdown after 2012

Millions of SSDI Recips Aged 20-64: 1977-2032



OACT is once again projecting a rosy scenario

Figure 1. Scenarios of Future SSDI Growth (Recipiency rate)



Source: FRB San Francisco, April 2013

Sources: Short-Range Actuarial Projections of the Old-Age, Survivors, and Disability Insurance Program (2010), Census Bureau, and authors' calculations.

Summary of Technical Panel 2011 Recommendations

- 1. Increase the assumed rate of SSDI incidence**
 - Has been trending up for many years
- 2. Assume a more rapid decline in SSDI mortality rates**
- 3. Assume lower recovery rate of SSDI enrollees**

All three adjustments would increase projected share on SSDI

2011 TPAM report available at (SSDI portion starts on page 74)

http://www.ssab.gov/Reports/2011_TPAM_Final_Report.pdf

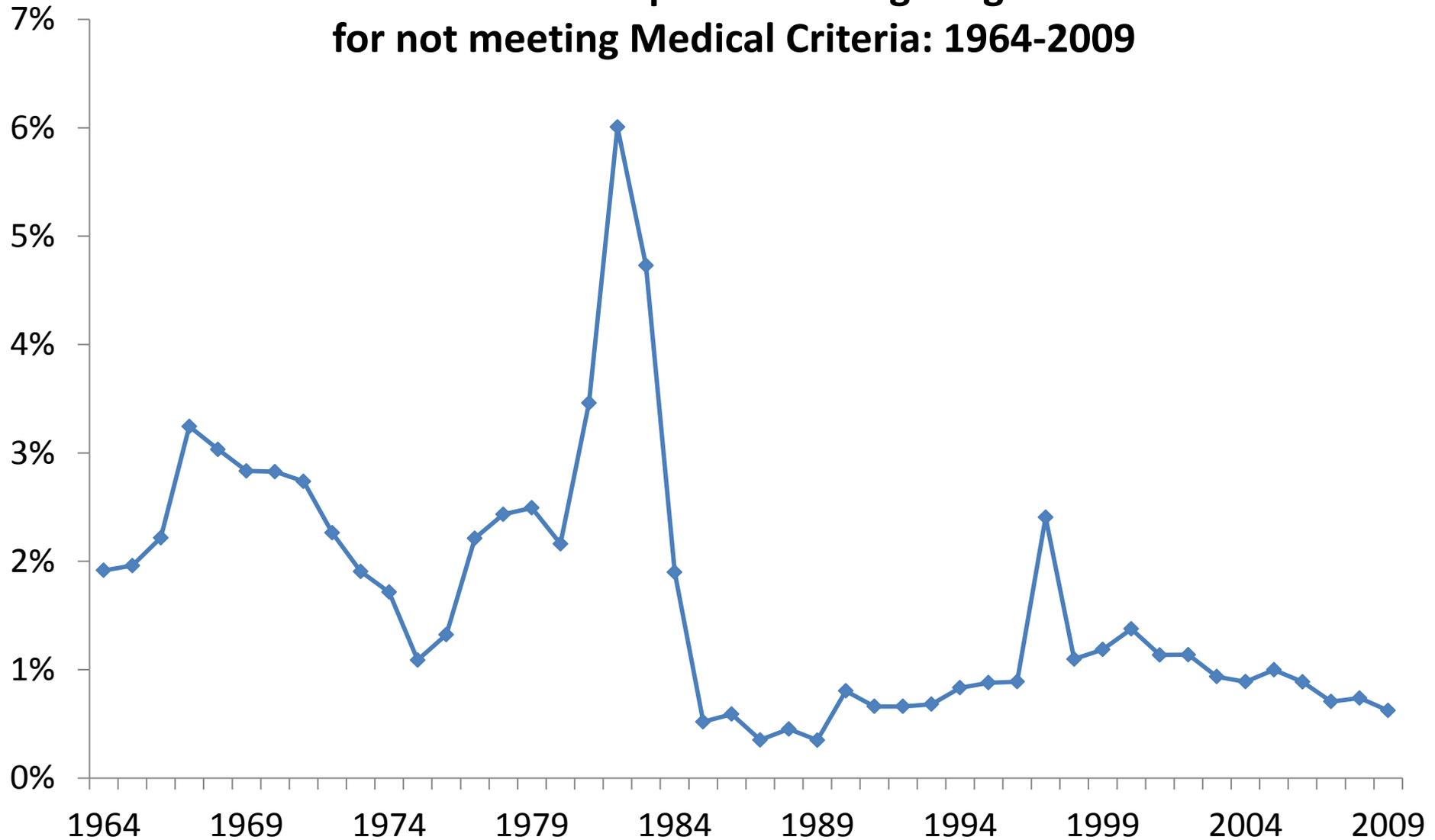


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Additional Slides

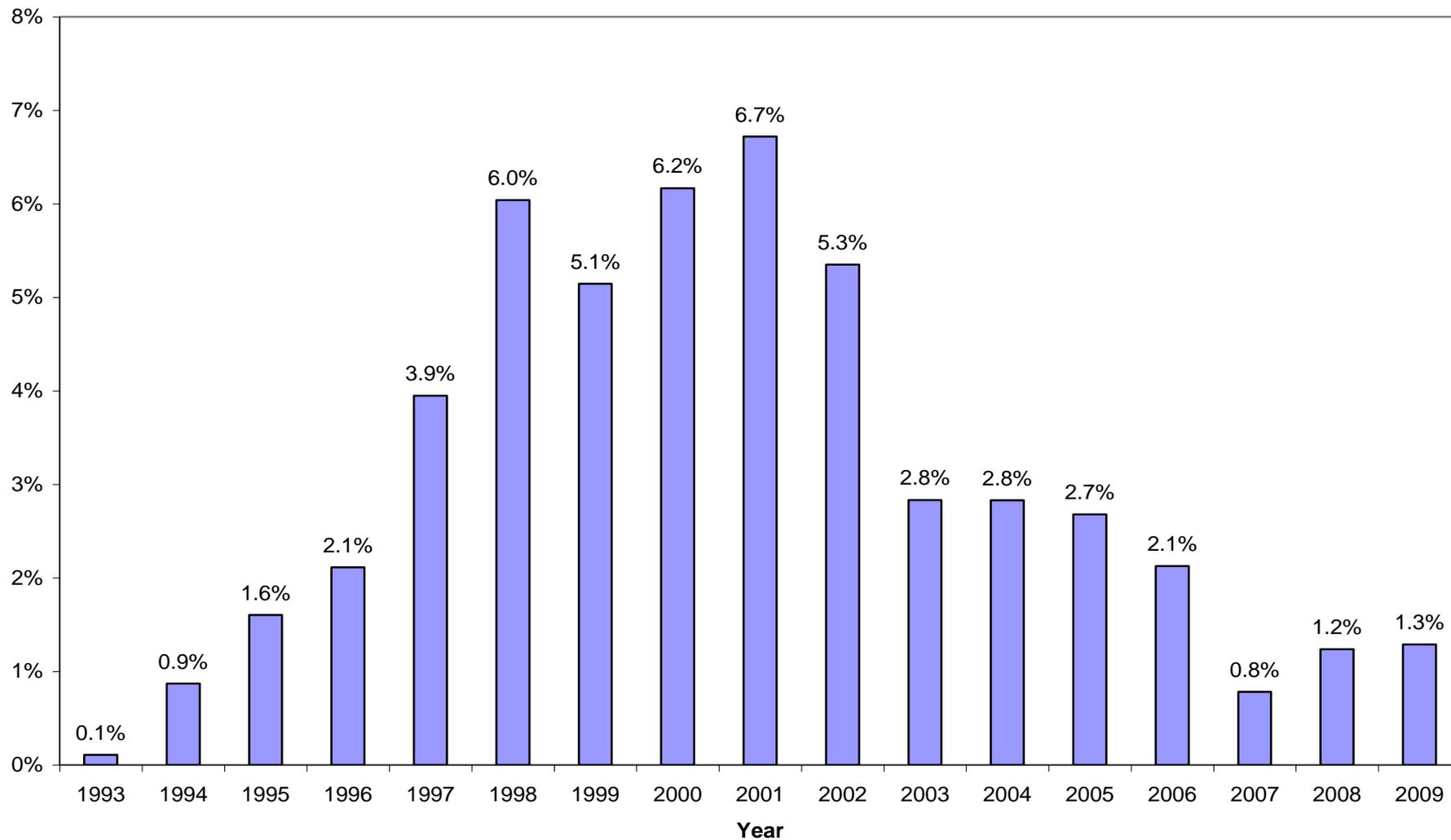
With Fewer Returning to Labor Force Each Year

% of SSDI Recipients Leaving Program for not meeting Medical Criteria: 1964-2009



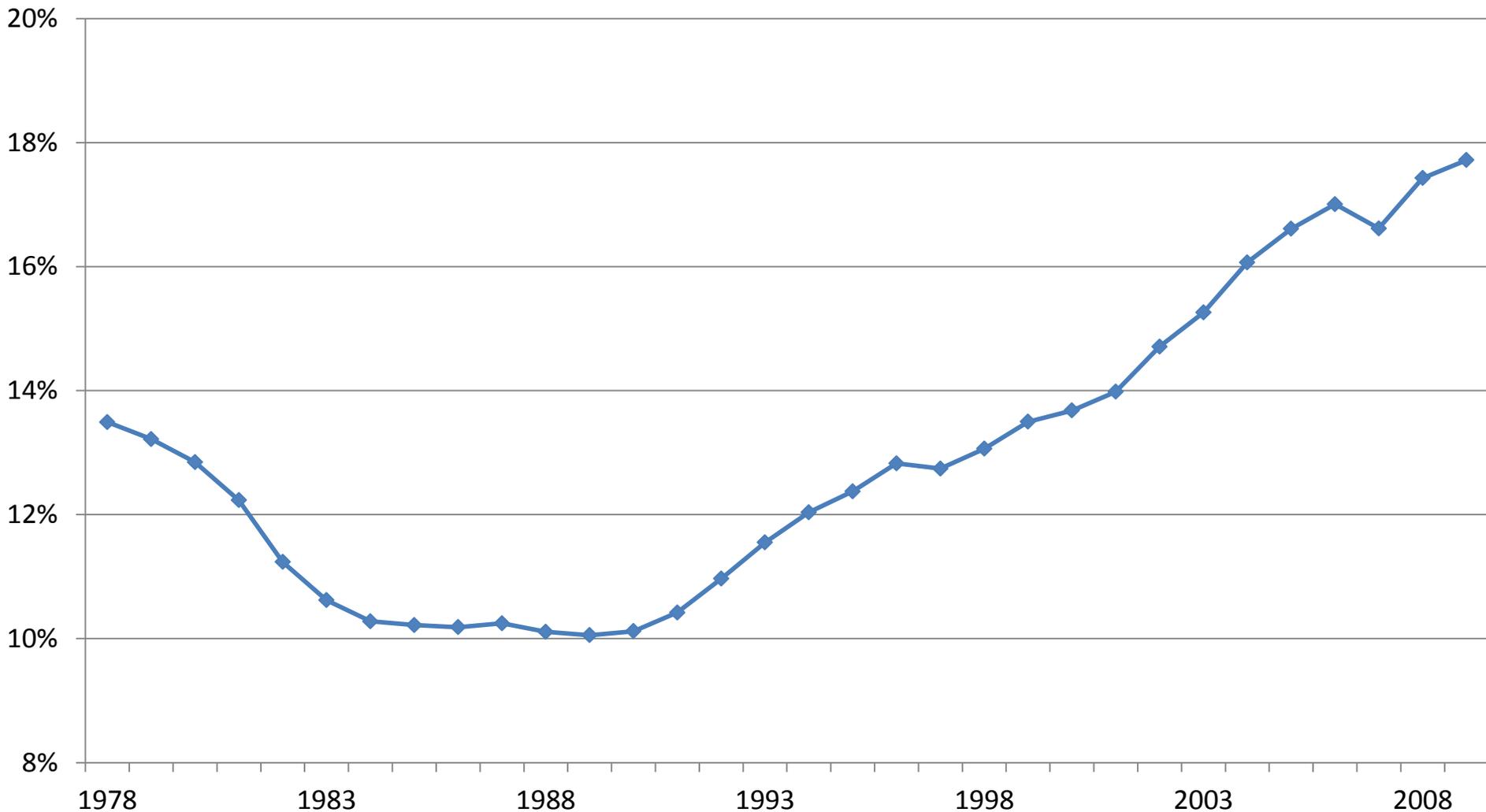
Fewer on SSDI get Continuing Disability Reviews (SSAB, 2012)

Figure 11: % of DI Recipients Receiving a Medical CDR: 1993 - 2009



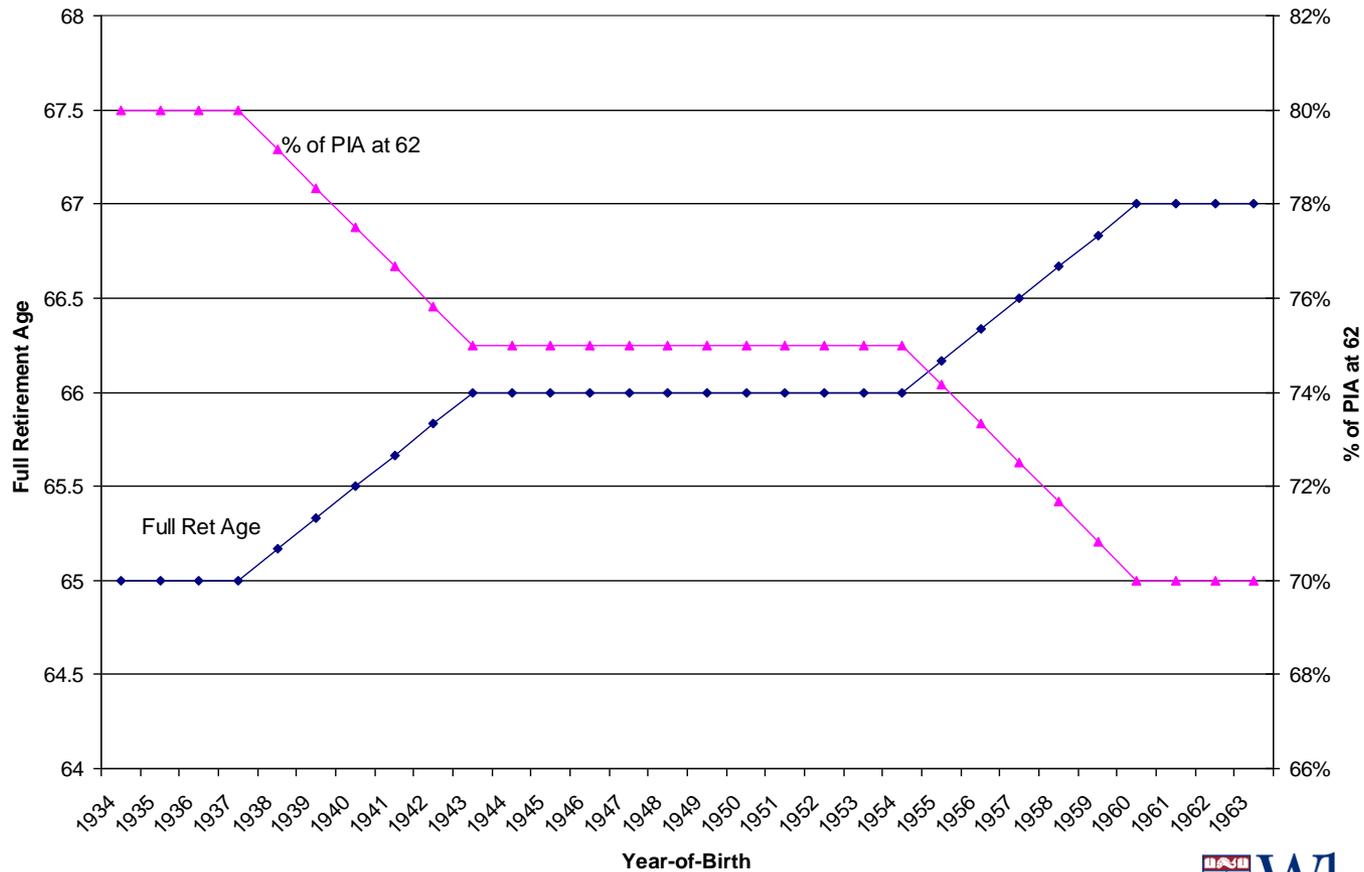
SSDI's Rising Share of Social Security Spending

Figure 3: SSDI \$ as % of Total OASDI \$: 1979-2009



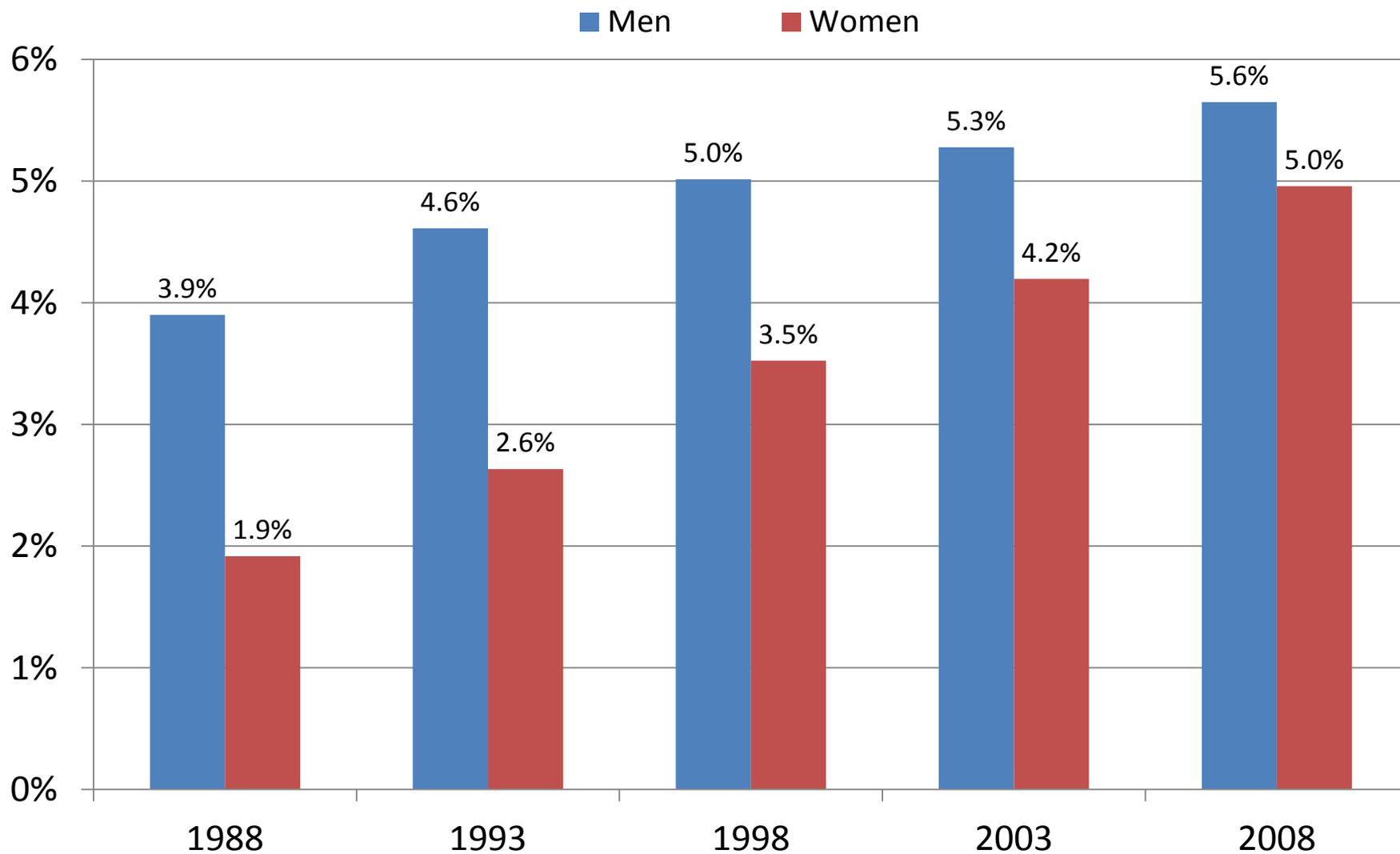
Increase in Social Security's Full Retirement Age means SSDI is now 33% more generous than early retirement benefits

Figure 1: Social Security Retired Worker Benefit Generosity by Year-of-Birth



Are Substantial Further Increases Plausible?

Fraction Aged 40-59 on SSDI: 1988-2008



Will SSDI Enrollment Continue to Increase?

Some slowdown is likely due to changing age structure and % insured

- More 65-year olds will mechanically increase exit rate
- % of women insured for SSDI has plateaued at most ages

But SSDI enrollment still increasing at younger ages

SSDI program still well below its equilibrium size

Further increases in full retirement age for those born 1955+

- SSDI becoming relatively more attractive
- 43 percent greater than early retirement if born 1960+

Health reform may increase incentive to apply for SSDI

How will wage opportunities evolve for lower-skilled workers?

% who Self-Report a Disability almost 2X Greater

% of Adults 40-59 Reporting Work-Limiting Disability / Health Condition

