Beyond All or Nothing: Reforming SSDI to Encourage Work and Wealth

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Disclaimer: The views are the authors’ and do not necessarily represent the views of the Mercatus Center or the United States Department of Treasury.
OUR REFORM PROPOSALS – IN A NUTSHELL

Create Temporary Disability Awards

Allow Partial Disability Awards

Engage employers

These reforms would:
• recognize that disability is not an all-or-nothing condition
• support return to work
• help maintain labor force attachment.

use of pilots to test effectiveness
THE TIME FOR REFORM IS NOW
SSDI TRUST FUND CASH FLOW

Scheduled insolvency date: 2016

Source: Social Security Administration. Produced by Veronique de Rugy, Mercatus Center, George Mason University.
GROWTH IN DISABILITY – SSDI OUTLAYS

1965 - 2013 ($2013, billions)
DECLINE IN TERMINATION RATE

Age-Sex Adjusted SSDI Termination Rates

1970 - 2013 rate per 1,000 current period beneficiaries
PERCENTAGE OF SOCIAL SECURITY DISABILITY INSURANCE RECIPIENTS LEAVING THE PROGRAM FOR NOT MEETING MEDICAL CRITERIA, 1992–2012

**Di exits rates**

Periods corresponding to recession (NBER)
SOCIAL SECURITY DISABILITY INSURANCE AWARDS (PER 1,000 INSURED BY DIAGNOSIS)
EXPANSION OF ELIGIBILITY

- Musculoskeletal system and connective tissue: 35.9%
- Mental disorders: 16.8%
- Circulatory system: 10.8%
- Neoplasms: 10.0%
- Nervous system and sense organs: 8.2%
- All other impairments: 18.3%
GROWTH IN DISABILITY
Applications and Awards per 1,000 Insured Workers
REFORM IDEAS

I: INDIVIDUAL PARTICIPANTS
II: EMPLOYERS
III: I & II
PILOT PROJECTS TO TEST REFORM IDEAS

**Individuals**: launch pilots offering partial disability payments

target both new & existing SSDI beneficiaries who attempt work.

**FEATURES:**

- voluntary participation for demonstrations
- guarantee 50 percent of monthly benefit given earnings are below a threshold, then phase out
  
  eg: threshold might be $3,500 / month, phase out might be 1:2
- benefit counseling provided

  health and/or career orientations, as demonstration modules
PILOT PROJECTS TO TEST REFORM IDEAS

Employers: Some ideas here we like, ex: Liebman (2015) pilot

general idea--incentivize employers to take more responsibility for employee coverage

 FEATURES:

➢ voluntary participation for demonstrations

➢ tax credit against cost of premiums for private disability insurance coverage
  tax credit is up-to a set amount, covers a two year policy
  (we expect that private policy would be experience rated)

➢ SSDI enrolment exclusion over coverage period
  integrated hand off to public policy which pools long term coverage risks
WE LOOK FORWARD TO YOUR THOUGHTS

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