

Expanding Private Disability Insurance Coverage to Help the SSDI Program

by David F. Babbel and Mark F. Meyer

**Committee for a Responsible Federal Budget
McCrery-Pomeroy SSDI Solutions Initiative Conference
August 4, 2015**

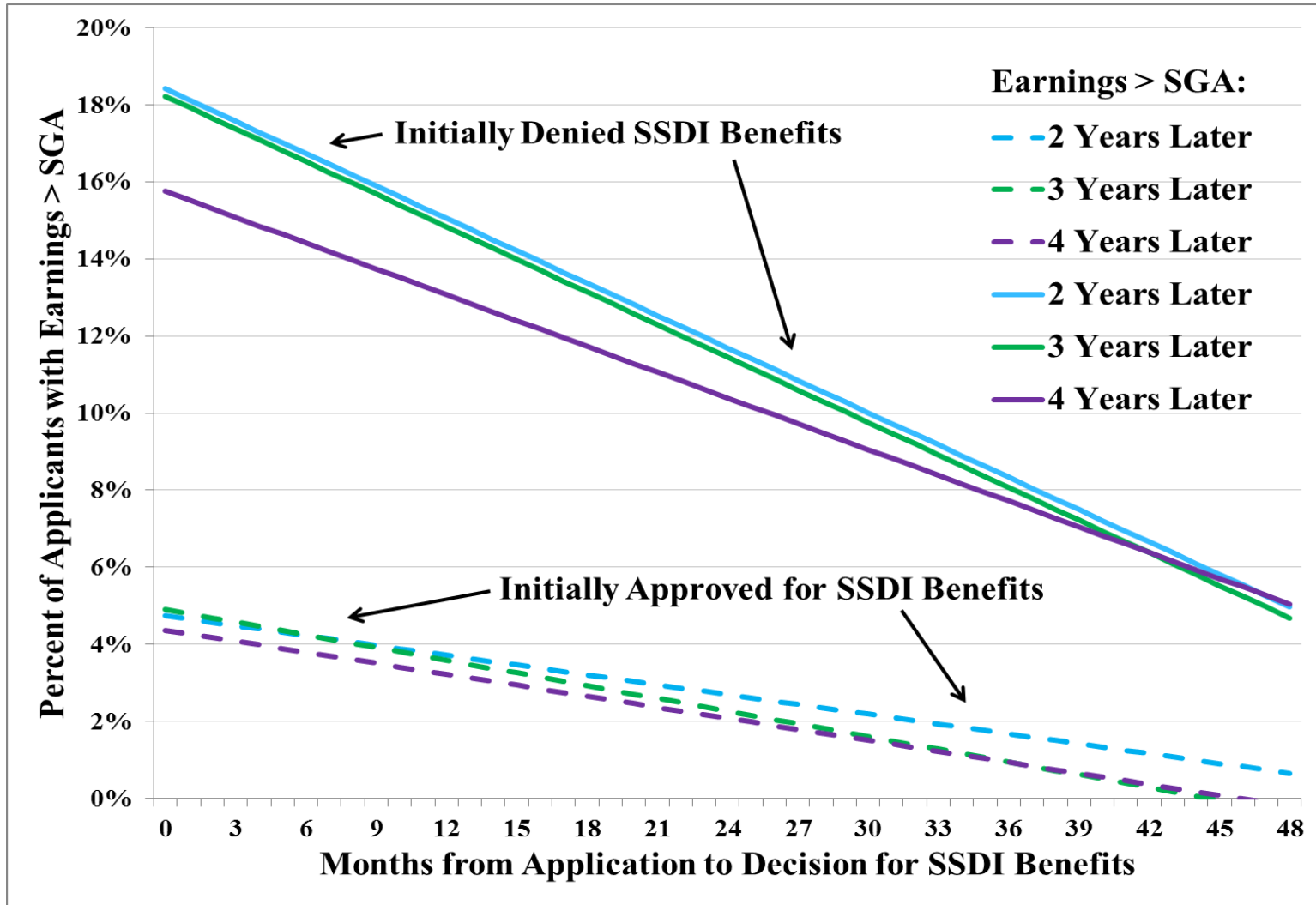
Presented by: Mark F. Meyer

CRA Charles River
Associates

Comparison of SSDI and Private Group Disability Coverage

Characteristic	SSDI	Group Disability
Time until benefits start	Minimum 5 months, with exceptions; but many wait a year or more for benefits.	Typically 3 to 6 months, often integrated with short term coverage.
Percent of pre-disability income replaced	Generally less than 35%, and declines as income increases; averages \$13,757 per year.	Varies, but 60% is typical; e.g., \$30k for \$50k salary.
Work incentives / return to work programs	Trial work period, Extended period of eligibility, Ticket to work program.	Comprehensive disability management programs.
Employees covered	Those with sufficient Social Security work credits; over 110 million.	Around 40 million, approximately 1/3 of private sector work force.
Beneficiaries	8.9 million disabled workers.	Approximately 870,000.
Premiums	1.8% of salary up to limit, \$900 for \$50k salary, \$2,133 maximum in 2015.	\$250 to \$400 per year, 0.1% of compensation.

Effect of Delay on Employment of SSDI Applicants



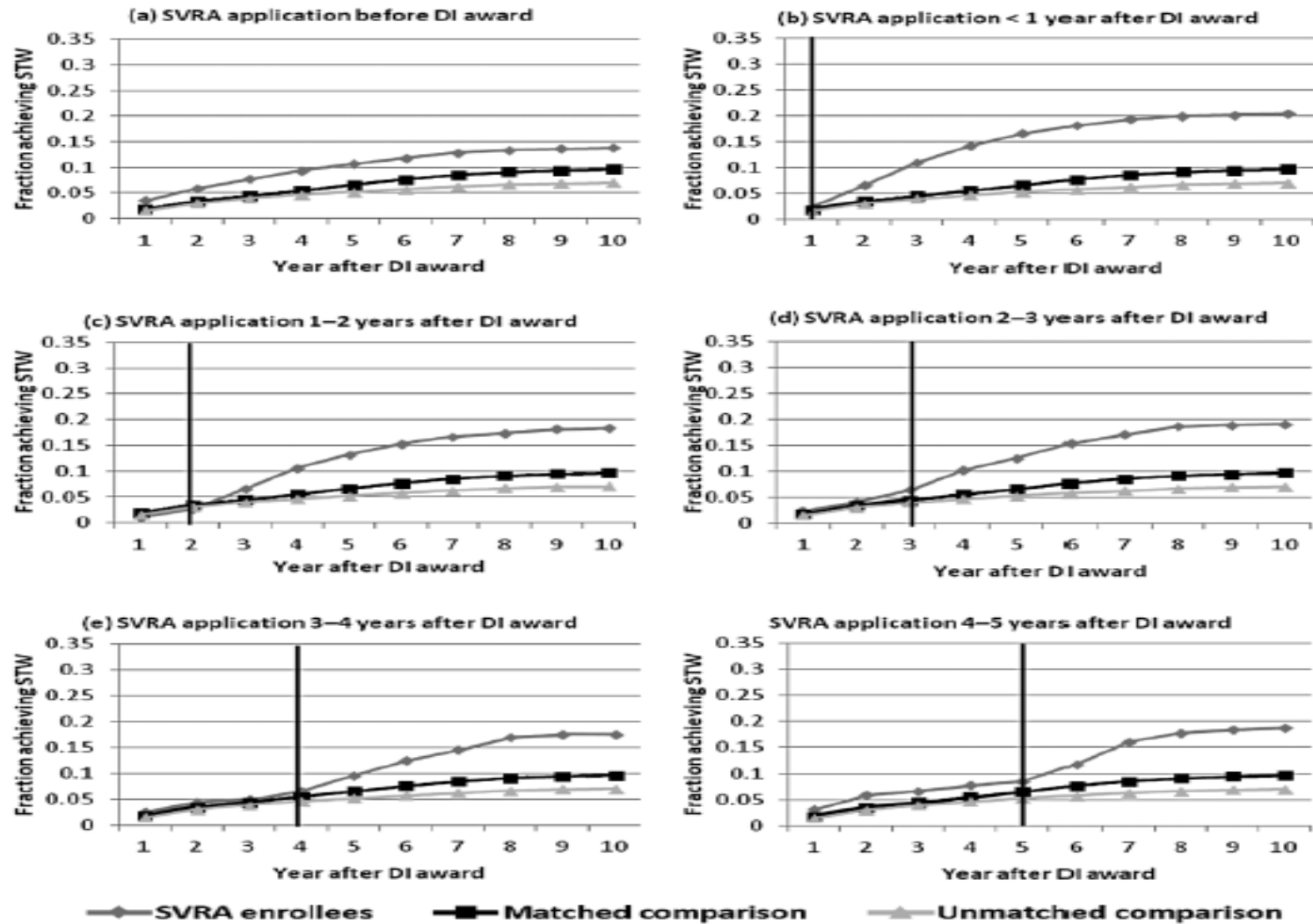
Calculated from regression results presented in Autor, *et al.* 2011, 30 Table 6.

Employment by Participation in Ticket to Work Programs

Social Security Disability Insurance Recipients	Percentage of all SSDI beneficiaries experiencing first STW (suspension or termination of benefits for work) event				
	2002	2003	2004	2005	2006
Ticket-to-Work participants	2.58%	3.76%	4.11%	4.54%	3.84%
Milestone-outcome	3.66%	5.73%	5.04%	6.08%	4.71%
Outcome-only	4.23%	9.69%	9.43%	8.48%	6.57%
Traditional	2.33%	3.22%	3.79%	4.21%	3.64%
Nonparticipants	0.87%	0.83%	0.77%	0.77%	0.65%

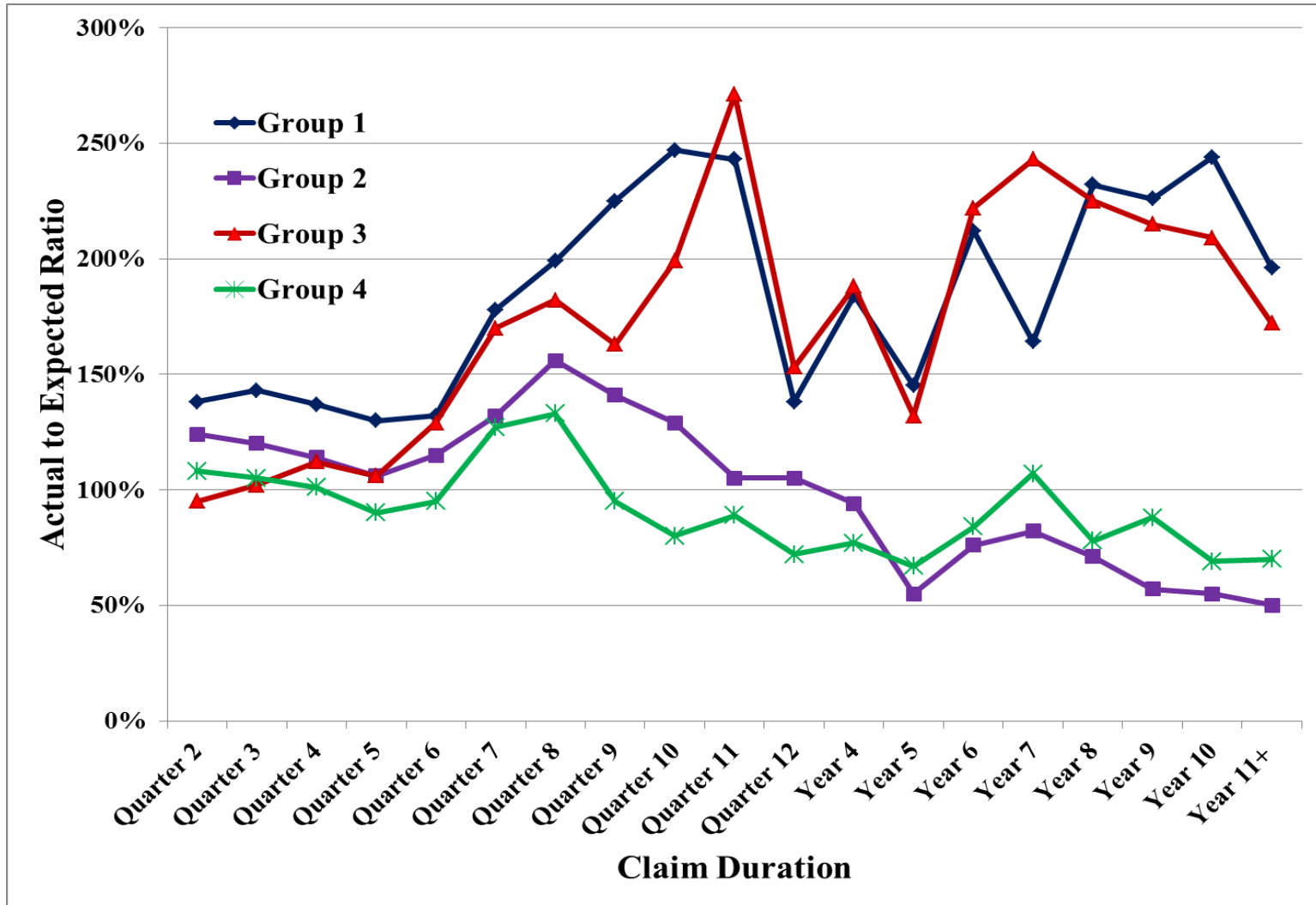
Schimmel & Stapleton 2011, 87. In this study, the Ticket to Work participants were placed into one of three different programs: Milestone-outcome, Outcome-only and Traditional. As reported in the table above, the programs had different rates of “beneficiaries experiencing first STW event.”

Estimated Rates of Suspension or Termination for Work Among SVRA Enrollees, Matched and Unmatched Comparison Groups by SVRA Application Time Relative to DI Award



O'Neill *et al.*, "Return to Work Disability Insurance Beneficiaries Who Do and Do Not Access State Vocational Rehabilitation Agency Services," *Journal of Disability Policy Studies*, 2015, Figure 3.

Recovery Rate Experience by Disability Insurance Company Grouping



Society of Actuaries 2009, 70-71, Chart 10.1.B and Table 10.1.A.

Taxonomy of Situations by Recovery and SSDI Status

		Recovery Status	
		Not Working	Working
SSDI Status	Eligible	<i>Receiving SSDI.</i>	Exited or reduced time on SSDI status.
	Not Eligible	Avoided SSDI status.	Avoided SSDI status.

Estimating the Number of Individuals Avoiding Federal Programs Due to Private Sector Disability Insurance Programs

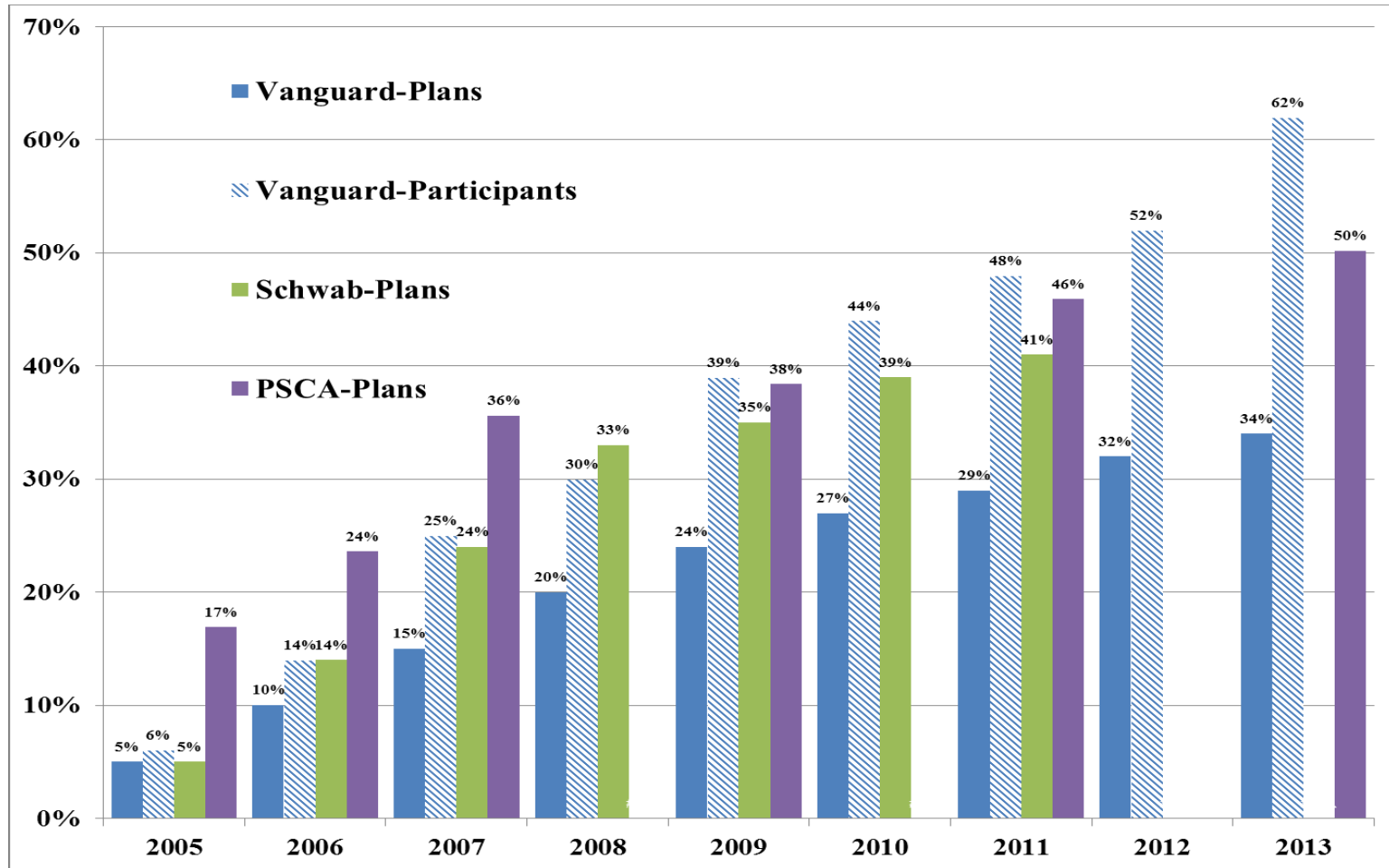
		Recovery Status	
		Not Working	Working
SSDI Status	Eligible	None	At least 15,000
	Not Eligible	~50,000	

Bardos, Burak & Ben-Shalom (2015, 2): “with just modest assistance, more than 120,000 [SSDI recipients] could have returned to work but did not.”

Costs of Disability to Federal Budget

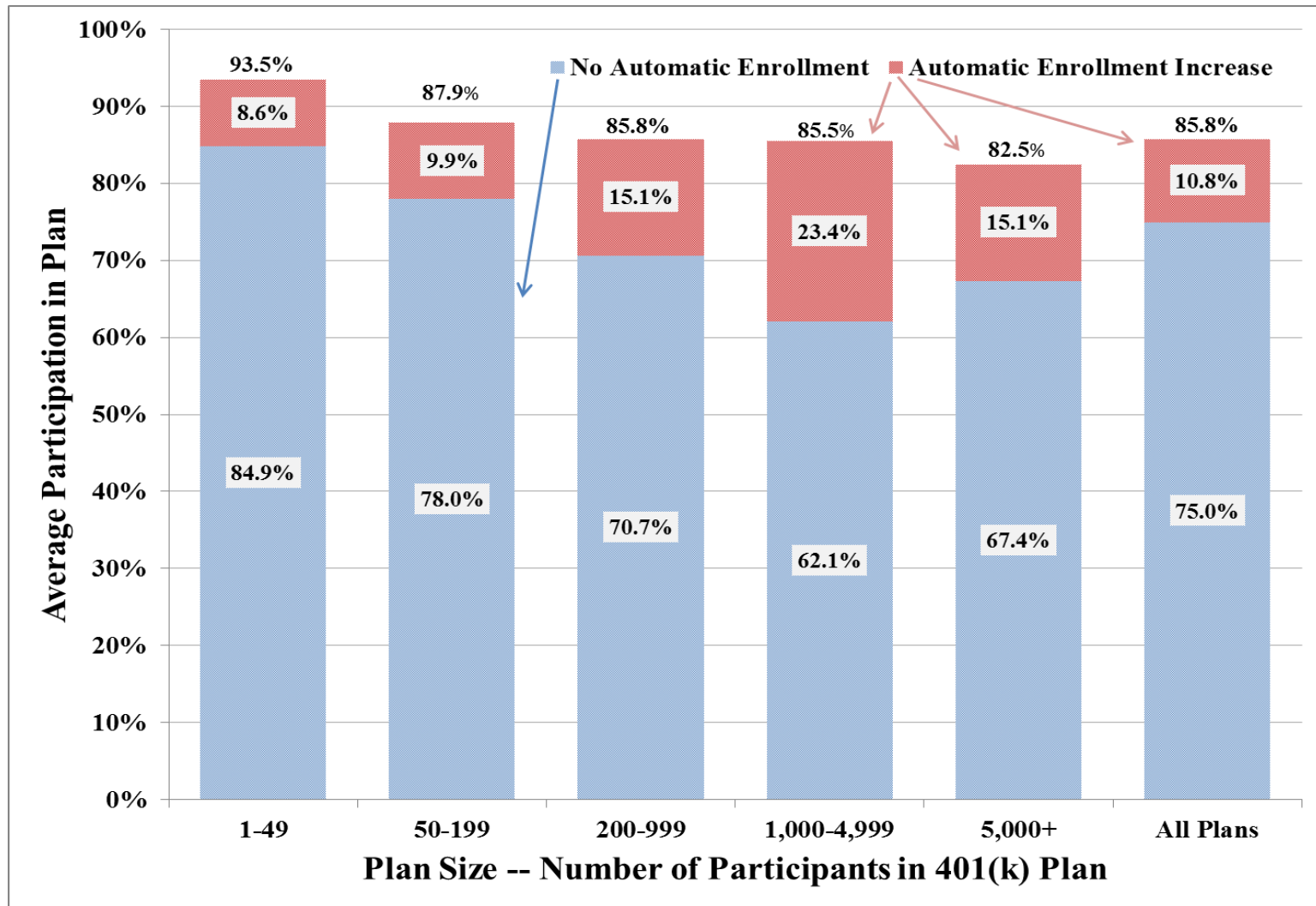
- Average SSDI benefit of \$13,757 for 8.9 million worker beneficiaries.
 - Private disability coverage currently saves nearly \$900 million per year.
- Average Supplemental Nutrition Assistance Program expenditure of \$2,450 for 4.0 million nonelderly individuals with disabilities.
 - Private disability coverage currently saves nearly \$160 million per year.
- Average Medicaid expenditure of \$17,255 for 9.7 million individuals with disabilities.
 - Private disability coverage currently saves \$1,120 million per year.
- Using \$30,000 annual figure for those avoiding or exiting SSDI results in \$1,950 million per year in federal savings.
 - Ten year projection – at least \$20 billion in savings.
- Bardos, Burak, & Ben-Shalom (2015, 35) report federal savings of \$160,000 to \$290,000 for each disabled employee returning to work.

Growth in 401(k) Plans and Participants Using Opt Out Enrollment



Plan Sponsor Council of America 2014, 66; PSCA 2012, 50; PSCA 2010, 56; and PSCA 2008, 40;
 Vanguard 2013, 19 for plans and 20 for participants;
 Society for Human Resource Management 2011 for Schwab figures.

Additional 401(k) Participation from Opt Out Enrollment by Plan Size



Plan Sponsor Council of America 2014, 69.

Projections of SSDI Savings from Opt Out

- Current levels of group disability coverage – around 1/3rd of private sector work force – yield at least \$900 million per year in savings to SSDI – approximately \$10 billion over next ten years.
- Each 10 percentage point increase in proportion of workers with group disability coverage means 20,000 to 25,000 additional workers avoid or exit SSDI – saving an additional \$280 to \$350 million per year – or an additional \$2.8 to \$3.5 billion over ten years.
- If opt out could achieve 50% to 55% participation in group disability coverage, savings could be an additional \$500 million to \$700 million per year – or an additional \$5 to \$7 billion, or more, over ten years.
- Group disability coverage also generates savings for other federal programs (TANF, SNAP, SSI, etc.), as well as increased tax revenue.
- Opt out benefits come with minimal costs to government.
- Opt out benefits are independent of, and in addition to, other SSDI program-specific proposals.