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***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

*use of pilots
to test effectiveness*



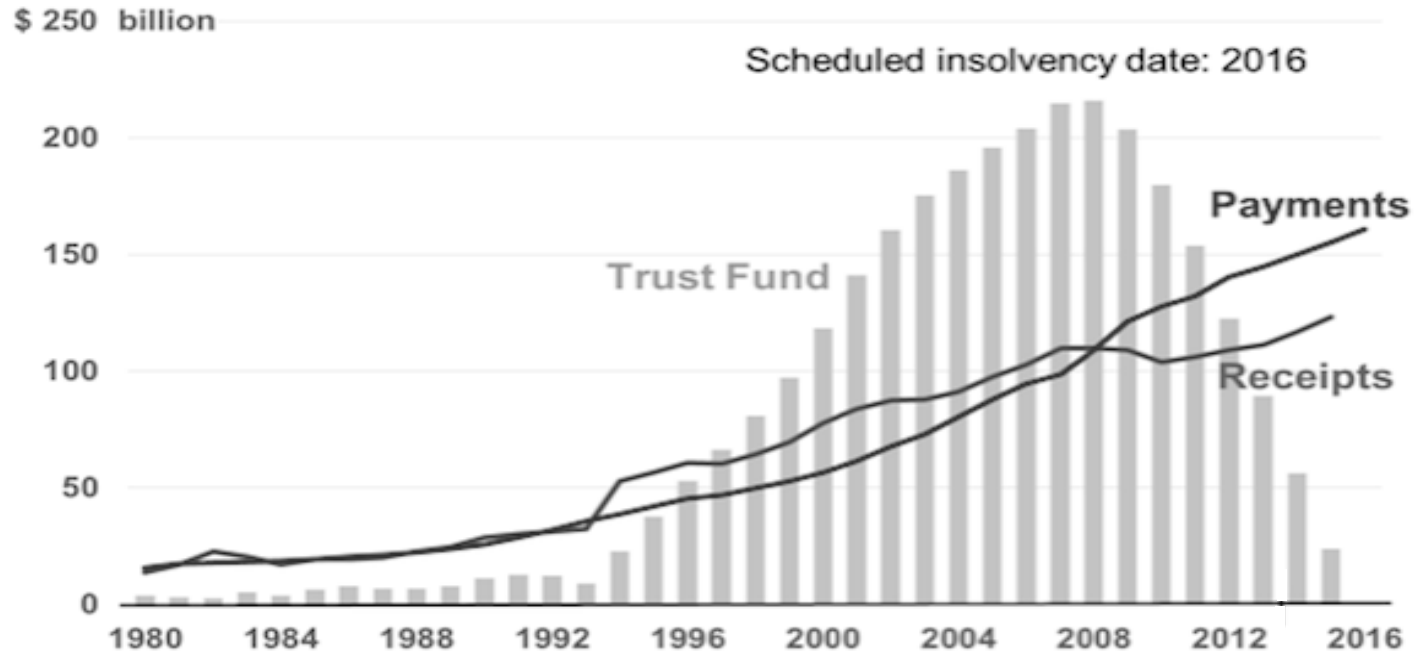
These reforms would:

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

THE TIME FOR
REFORM IS
NOW



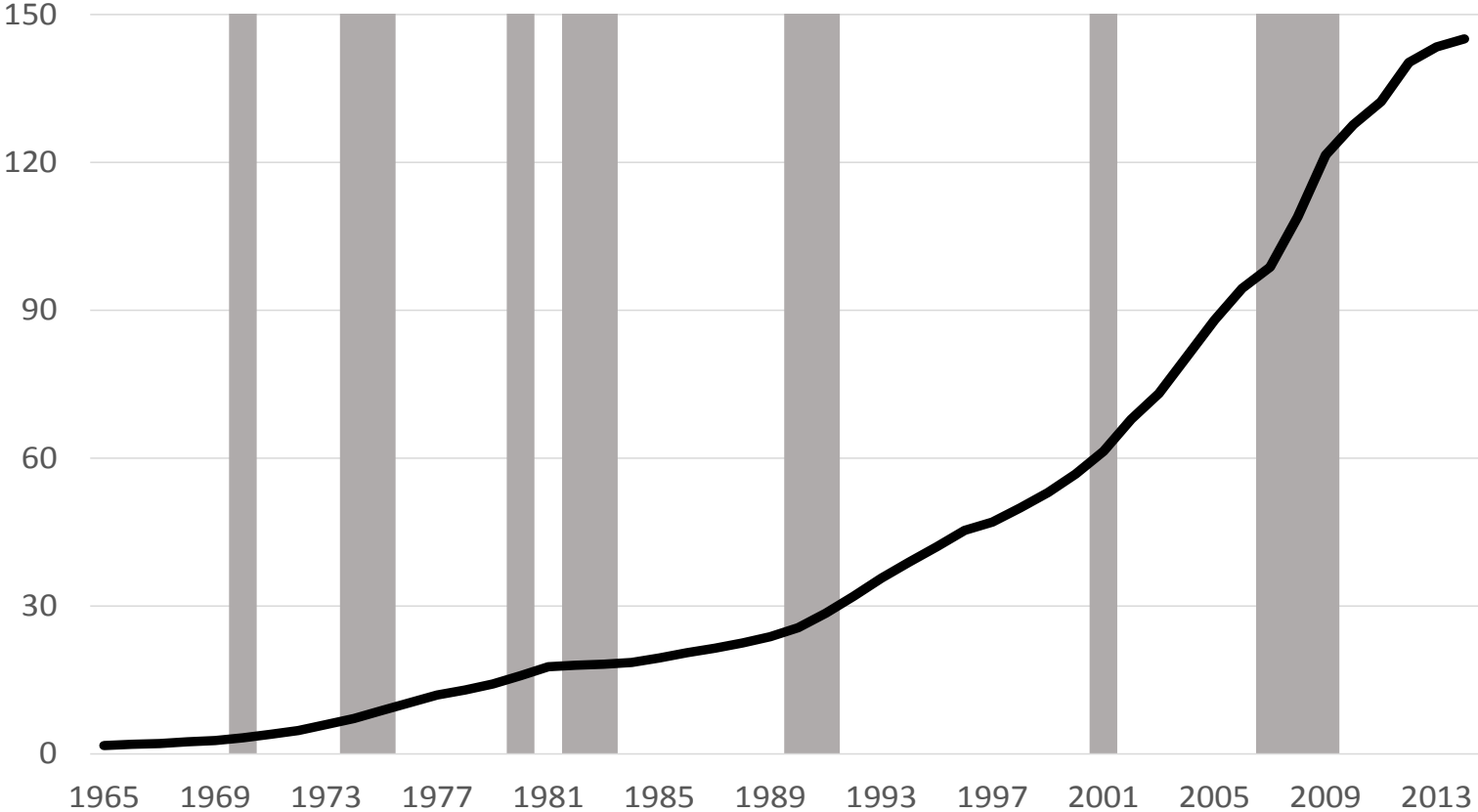
SSDI TRUST FUND CASH FLOW



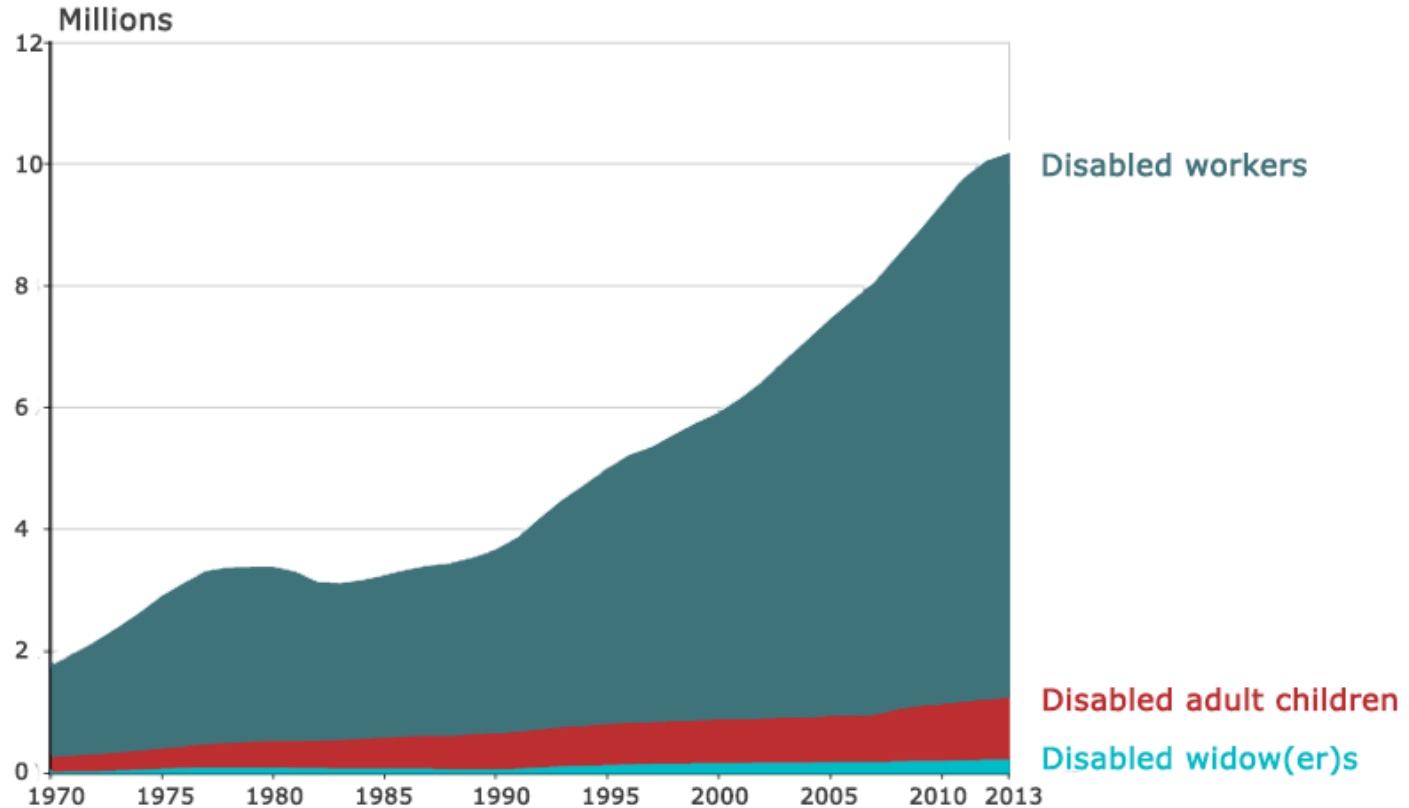
Source: Social Security Administration.
Produced by Veronique de Rugy, Mercatus Center, George Mason University.

GROWTH IN DISABILITY – SSDI OUTLAYS

1965 - 2013 (\$2013, billions)



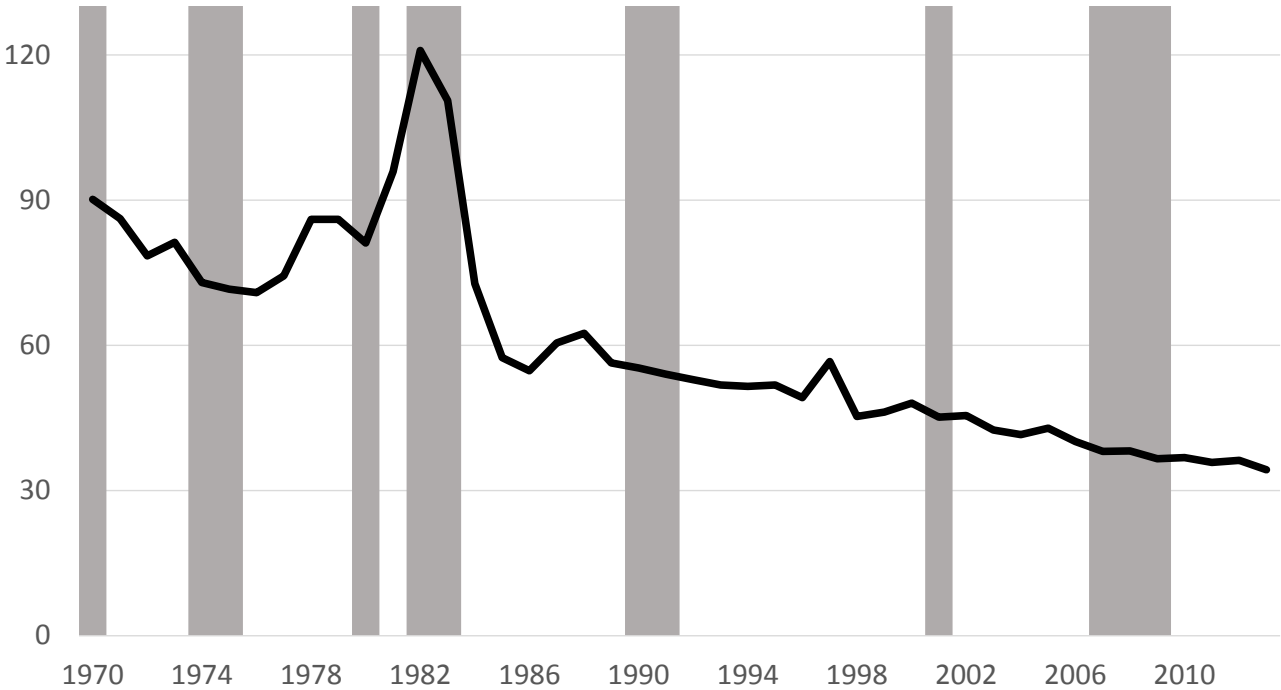
NUMBER OF DISABILITY BENEFICIARIES



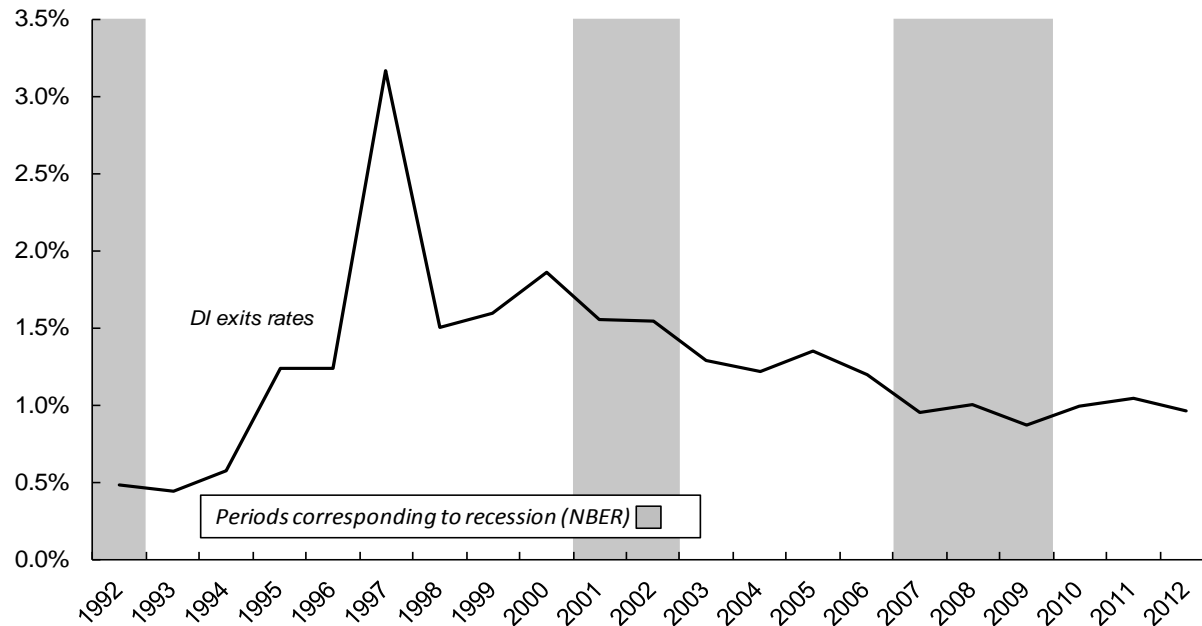
DECLINE IN TERMINATION RATE

Age-Sex Adjusted SSDI Termination Rates

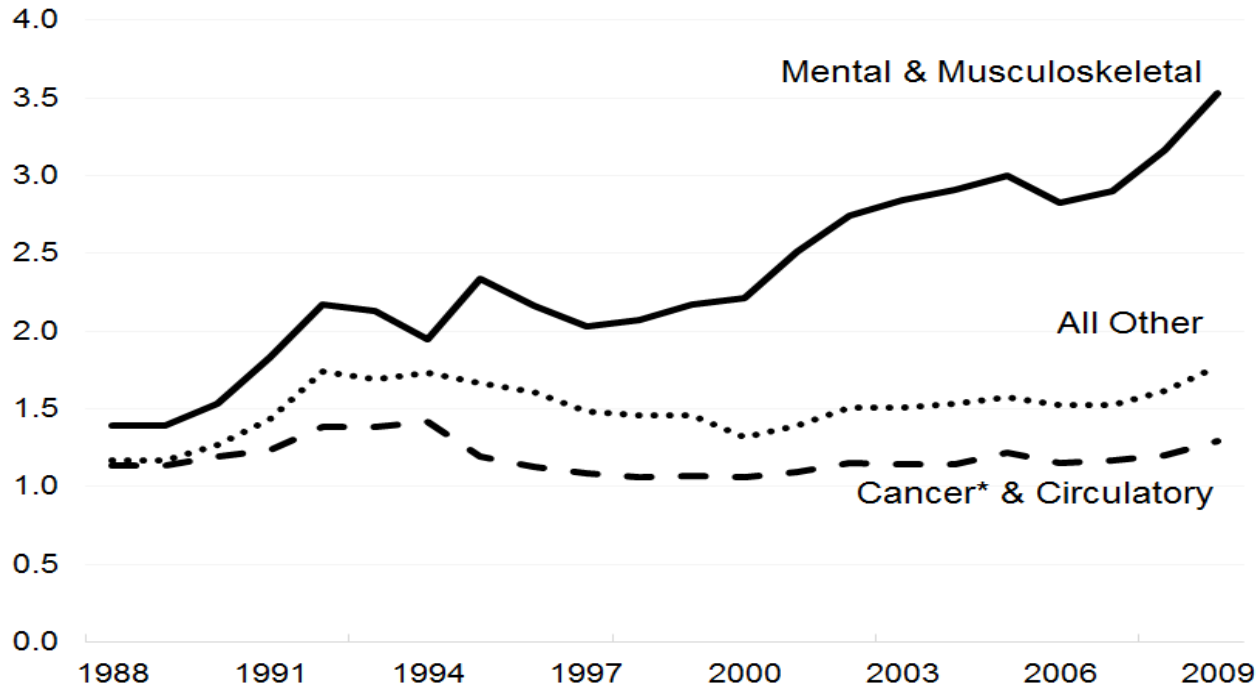
1970 - 2013 rate per 1,000 current period beneficiaries



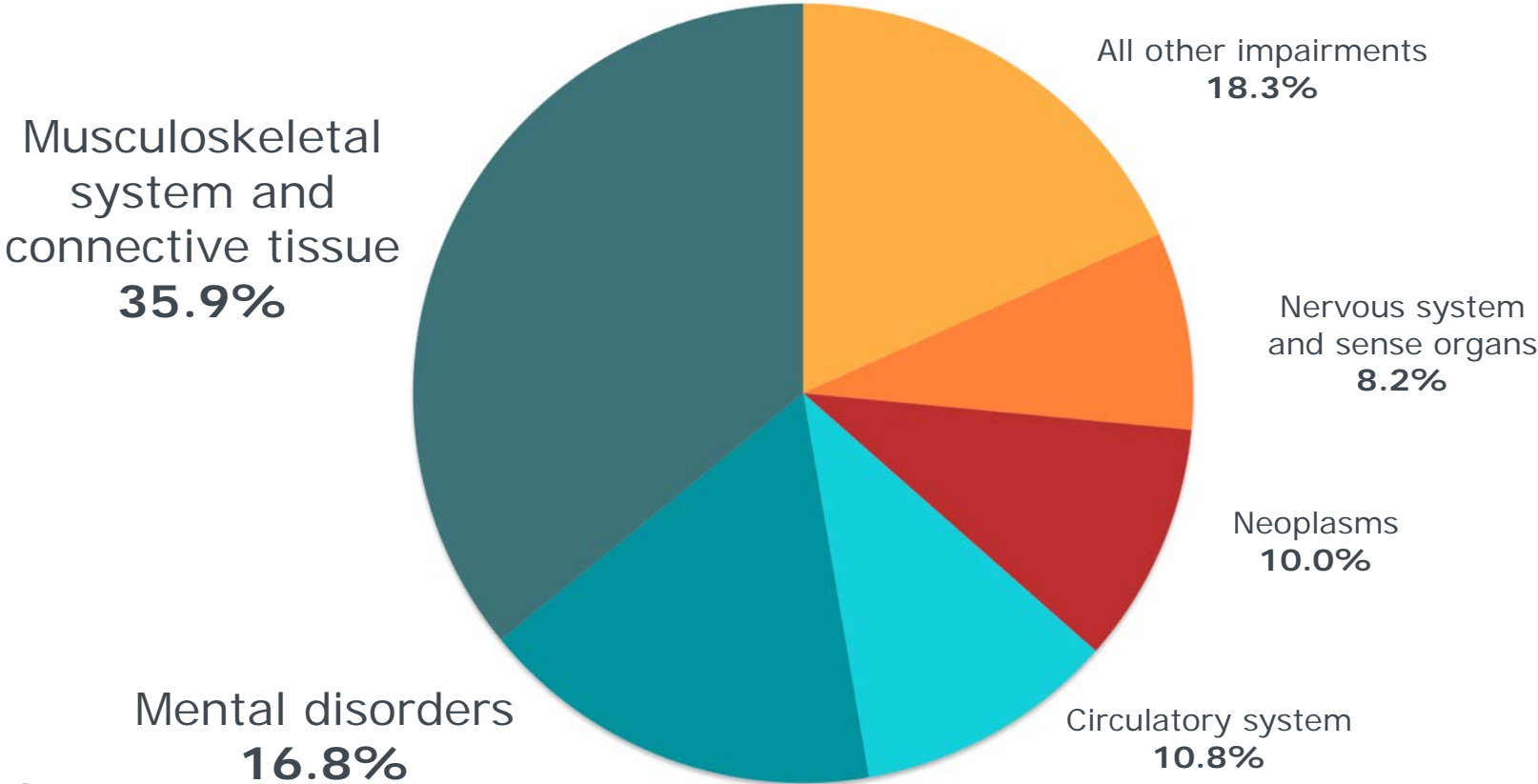
PERCENTAGE OF SOCIAL SECURITY DISABILITY INSURANCE RECIPIENTS LEAVING THE PROGRAM FOR NOT MEETING MEDICAL CRITERIA, 1992–2012



SOCIAL SECURITY DISABILITY INSURANCE AWARDS (PER 1,000 INSURED BY DIAGNOSIS)

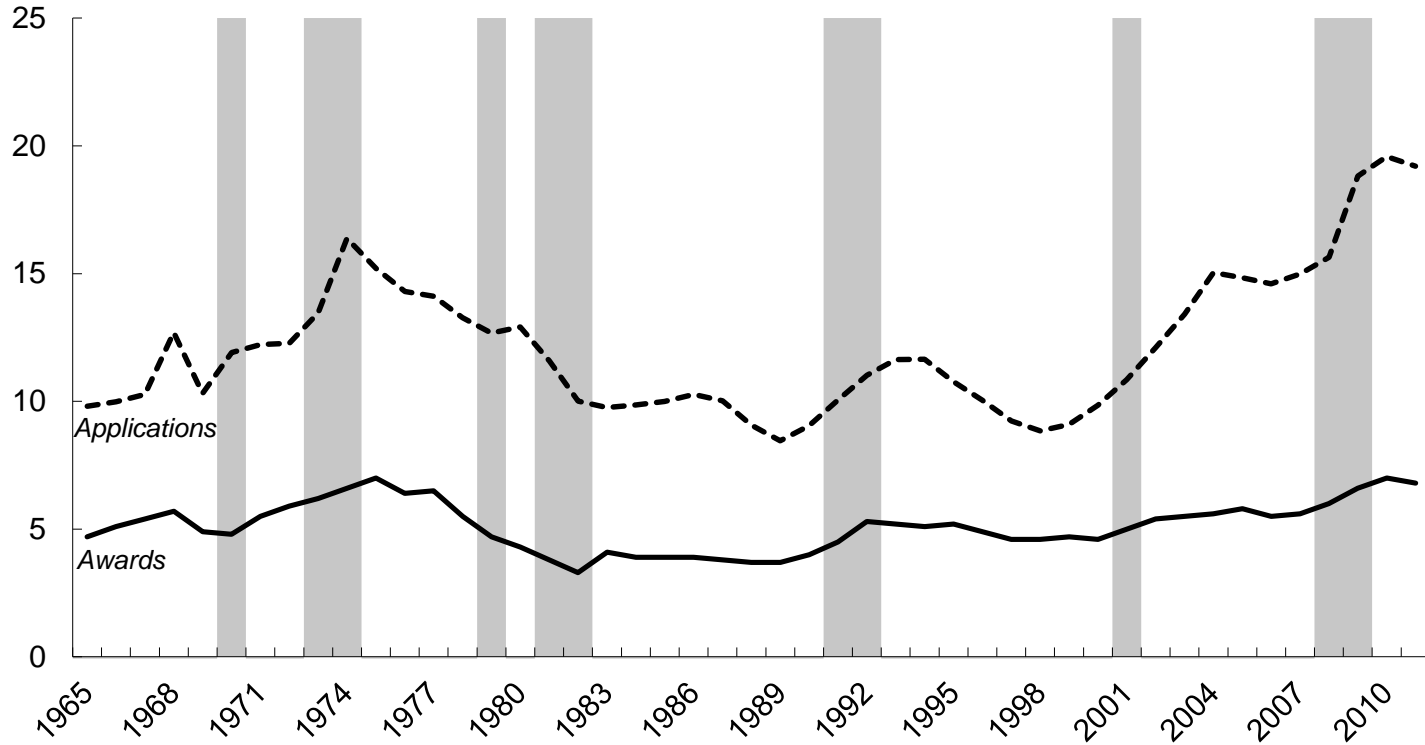


EXPANSION OF ELIGIBILITY



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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