

## GRASSROOTS ISSUES BRIEF

### The Social Security Disability Program and Trust Fund Reallocation

#### **Q: What is SSDI?**

A: The Social Security Disability Insurance (SSDI) program is a part of the Old Age, Survivors, and Disability Insurance (OASDI) program administered by the Social Security Administration (SSA). Enacted in 1956, SSDI pays benefits to millions of disabled workers and their dependent family members, providing a crucial source of financial security for people who are severely limited in their ability to work because of a disabling illness or injury.

#### **Q: Who is Eligible?**

A: In addition to being disabled, an individual must have worked long enough in Social Security-covered employment to be insured for benefits. For most, that is at least 40 quarters (10 years). Additionally, an individual has to have a recent connection to the work force. For older adults, an individual must have worked for at least 20 of the 40 quarters preceding the date the worker becomes disabled. Workers under the age of 31 must have credit in one-half of the quarters during the period between age 21 and when they become disabled, with a minimum of six quarters required.

#### **Q: How is “Disability” Defined?**

A: Disability is defined as the inability to engage in substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected to last at least 12 months or end in death. Generally, a worker must be unable to do any kind of work that exists in the national economy, taking into account age, education, and work experience.

#### **Q: When Does Disability Coverage Begin and End?**

A: Once an individual’s application for SSDI benefits has been approved, benefits begin after a five-month waiting period from the time the disability began, and Medicare coverage starts 24 months after SSDI eligibility begins. Disability benefits continue as long as the individual remains disabled, or until he or she reaches the full retirement age when the benefits convert to retired-worker Social Security benefits.

#### **Q: Who is Receiving Disabled-Worker Benefits and why are their Numbers Growing?**

A: In 2013, about \$134 billion in disability benefits were paid to 11 million people, including 5.5 million men and 5.1 million women. 8.9 million are disabled workers; 1.9 million are children of disabled workers and 164,000 are spouses of disabled workers. Based on long-term projections, the number of SSDI beneficiaries has grown due to the larger baby boomer population aging into high disability years and the increase in the Social Security retirement age.

Today, just over 1 in 4 of today’s 20 year-olds will become disabled before reaching age 67. For most beneficiaries, SSDI is the primary source of income. Almost half of disabled workers rely on Social Security for 90 percent or more of their total income. For families with a disabled worker, Social Security provides about half of the family income.

All disabled beneficiaries have severe impairments, and many have multiple disability conditions, including cancer, kidney failure, and congestive heart failure. Nearly 20 percent of SSDI beneficiaries die within five years of receiving benefits. Many who receive benefits suffer from mental illness or musculoskeletal disorders. But regardless of the nature of the impairment, in each case SSA has determined that it is severe and of long-standing duration.

**Q: How Much do People with Disabilities and Their Families Receive in Benefits?**

A: Average monthly benefit for a disabled worker: \$1,165; with spouse and children: \$1,978.

**Q: How is the Program Financed and why is Reallocation within the Trust Fund Necessary?**

A: The entire Social Security program - including the Disability Insurance Trust Fund - is funded through a 12.4% payroll tax assessed on the first \$118,500 of income. Employees are taxed 6.2% of their income, and employers match the other 6.2%; the self-employed are responsible for paying the entire 12.4%. Within each 6.2 percent, 5.3 percent finances the retirement and survivor programs and 0.9 percent funds disability. Unless Congress takes action to bolster the disability trust fund, beneficiaries will see disability payments cut by about 20 percent in late 2016.

Historically, the two funds, SSDI and OASI have been rebalanced successfully 11 times. Reallocations have been made in each direction between the two funds through noncontroversial action by Congress. The reallocation does not threaten the OASI trust fund. Reallocating payroll taxes from the retirement fund to the disability fund would increase the solvency of the DI fund until 2033 while advancing the retirement fund's depletion by one year, from 2034 to 2033.

**Q: What did Congress do to Oppose Reallocation?**

A: The U.S. House of Representatives changed its rules to require that reallocation can only be considered if long-term solvency of the entire OASDI program is addressed. If carried out as intended by its proponents, the rules change would result in benefits cuts for current and future retirees, survivors and people with disabilities and would leave neither program stronger.

**Q: Why do some lawmakers accuse SSDI beneficiaries of fraud? What is the truth?**

A: Opponents of reallocation say they want to preserve both the core Social Security program and the disability program and they suggest the DI fund is rampant with fraudulent and undeserving beneficiaries. They would address the alleged problem by cutting benefits to people with disabilities and to retirees.

Proponents of reallocating funds, including the National Committee, say refusal to reallocate funds puts 11 million beneficiaries and their families at needless risk.

In truth, the U.S. has one of the strictest standards for scrutiny of disability claims in the developed world, with less than 40% of applicants deemed to qualify for benefits, even after all stages of appeal. SSA has an administrative budget of about 1.4 percent of benefits paid each year and has one of the lowest error rates in the government, with a less than 1% rate of inaccurate payments for the SSDI program.

The National Committee supports ensuring that SSDI payments are made only to people who are entitled to receive them and are accurate. To do so, SSA must have sufficient funds to meet service needs, including thorough review of eligibility of applicants and ongoing oversight of the program.

Acting SSA Commissioner Carolyn Colvin:

*"...We have zero tolerance for fraud. Historically, we have been successful in this regard; the best available evidence shows that the level of actual disability fraud is less than 1 percent."*