
Address of Robert Greenstein To McCrery-Pomeroy SSDI Solutions Conference

August 4, 2015

Thank you, Congressman Pomeroy, for that kind introduction — and thank you for the work you and Congressman McCrery are doing in spearheading this project.

Good afternoon, everyone.

The need to replenish the DI trust fund gives us an opportunity to improve DI and better serve people with disabilities. But, given the population that DI serves, any changes in it need to be made with great care.

And with that in mind, I'd like to offer a few introductory thoughts and then turn to a few key issues.

First, I'm disturbed that in the current debate, some misguided attacks on DI have emerged. For example, some portray DI's spending as wildly "out of control." Yet, the majority of the rise in disability rolls stems from straightforward demographic and other factors like the aging of baby boomers, the growth in women's employment, and the increase in Social Security's retirement age.

Take the growth in women's employment. It has substantially increased the number of female DI beneficiaries – and that's good news. DI applicants must have a significant work history and, until women joined the work force in large numbers, relatively few women who were seriously disabled could qualify for DI benefits. There used to be about 2 male DI beneficiaries for every 1 female beneficiary. Now, men and women are equally likely to be eligible. It's not that women weren't disabled before — it's that they often didn't have enough earnings to qualify.

In addition, now that the economy is growing stronger and baby boomers are moving from their peak disability years toward their peak retirement years, significant DI cost growth has essentially ended. Social Security's actuaries project that DI benefit costs have reached their peak as a share of GDP and won't rise further — unlike Social Security retirement costs, which will continue rising for some time.

We also shouldn't forget that DI benefits are modest. An average disabled worker receives \$1,165 each month — or about \$14,000 a year, which is only a little over the poverty line. That's less than the average Social Security retired worker or aged widow receives.

As a result, one in five disabled workers are poor, roughly twice the rate for others their age.

We also hear sometimes in the current debate that it's easy to get DI — just claim your back hurts or you're anxious. But, as we all know, you must prove that you have a serious, medically determinable impairment and a considerable work history, and that you worked enough in recent years. Your evidence of impairment must come from acceptable medical sources and be backed up by clinical findings. The opinion of an applicant's own doctor isn't sufficient.

In fact, according to the OECD, the U.S. has some of the most stringent disability criteria of any advanced country. And only about 4 of every 10 applications (including those that don't pass initial screening) are approved. If accepted, beneficiaries are subject to periodic review to verify that they're still disabled — a practice we should strengthen and tighten by providing more resources for periodic reviews and making sure they're done on schedule.

Some critics argue that the 1984 DI changes made eligibility “lax” or highly “subjective.” But the 1984 legislation essentially ratified reforms that were already underway through regulations and the courts, after an over-zealous crackdown had ended or denied benefits to hundreds of thousands of people, many of whom were, in fact, disabled. The 1984 law directed SSA to weigh the combined impacts of multiple impairments, publish new standards to evaluate mental disorders, and document medical improvement before ending benefits. But it did not expand the definition of disability or relax the requirement that applicants provide substantial medical evidence. Congress passed it unanimously, and Social Security's actuaries judged that it would have only a miniscule impact on DI's financial outlook.

Now, let's turn to the issue of work.

DI provides various incentives for beneficiaries to work. For example, they can earn up to \$1,090 a month and still collect benefits. For an average beneficiary, that would nearly double his or her income.

But, only a minority of DI beneficiaries ever works again, and just 4 percent earn enough to work their way off DI. In most — though certainly not all — cases, that's not because DI lacks enough work incentives. Instead, it's mainly because of the severity of most beneficiaries' impairments.

DI beneficiaries are at least three times as likely to die as others their age, another indicator of poor health.

Tellingly, even applicants who are rejected for DI — because they're not disabled enough — do not work much after they're rejected and they fare poorly in the labor market. Barely half of them have any earnings two years after they're rejected and, among those who do have earnings, their earnings tend to be low.

When policymakers discuss broader Social Security reform, they almost invariably assure the public that any changes won't affect people who are at or near retirement, such as those 55 and over. That's because people need time to plan their work, saving, and retirement. But disability beneficiaries are far less able than retirees to change their behavior in response to benefit or eligibility cuts.

That's not to say we shouldn't endeavor to improve DI so that people with disabilities can work to the full extent they're able. Policymakers should try to improve work incentives. But our desire to make advances here exceeds our knowledge of how to do so successfully. We have a lot to learn. And, I fear that some policymakers think they already know the answers when, in fact they — and we — generally do not.

For example, one widely discussed proposal would replace the DI “cliff” with a “ramp,” in which benefits would shrink by \$1 for every \$2 of earnings, once earnings pass a certain threshold. Now, applying the \$1-for-\$2 offset starting at the \$1,090 Substantial Gainful Activity (or SGA) level would create an incentive for beneficiaries to earn more than that amount.

But it would also raise costs. And to prevent that, some proposals would start the benefit offset at a lower threshold of earnings, possibly as low as \$300 a month. Now, doing that would create a new work disincentive for those beneficiaries who have earnings between that lower threshold and the SGA level. They would face a 50 percentage-point increase in the marginal tax rate on their earnings, reducing their income and making work less attractive.

That's no minor concern. A recent study found that about 11 percent of DI-only beneficiaries had earnings in 2011 and, of those, 70 percent had earnings under \$10,000 a year and 40 percent had earnings below \$5,000.

Under this proposal, these individuals would lose substantial income and, in some cases, fall into, or deeper into, poverty. The proposal is designed to increase work. But it's not clear whether total work effort would increase or decrease. Some people would work more, but others — who would face a 50 percentage point increase in their marginal tax rate — may well work less.

In addition, the proposal would, on average, shift resources from sicker people to those who have less severe impairments and can work more.

Given that a clear impact of the proposal would be an increase in hardship and poverty, while the net effect on work could go in either direction, I believe it would not be responsible for policymakers to institute such a change without testing it first.

Only a demonstration project can show us whether the net effect on work would be positive or negative. It's disappointing that some of the same policymakers who promote the need for evidence-based policy in other spheres favor this policy without testing it first and gathering the evidence.

Now, let's talk about the issue of reallocation.

No plausible set of DI benefit changes can avert the need to shift resources from the retirement to the disability fund in 2016.

Congress has reallocated payroll taxes various times over the years, in both directions, with bipartisan support. But this time some policymakers and opinion leaders almost seem to be trying to pit retirees against people with disabilities. They describe reallocation as a “raid” on the retirement trust fund that would hurt seniors.

Let's please remember that the combined effect of the last two reallocations, in 1983 and 1994, was to shortchange DI by underfunding it compared with the retirement program — and no one called that a raid on Americans with disabilities. If DI's tax rate had stayed at its pre-1983 level, we wouldn't need to replenish DI today. In fact, the 1983 legislation disadvantaged DI in two ways — shifting benefit costs to DI, while reallocating revenues away from it. That's because OASI faced imminent insolvency.

Moreover, the implication of some of the rhetoric is not only that reallocating funds to DI would be a raid on seniors, but that Social Security essentially has one program for deserving beneficiaries who get retirement benefits, and another program with many less deserving beneficiaries who get DI. In reality, with their physical and mental conditions, people with serious disabilities often face harder circumstances than retirees. And the percentage of DI beneficiaries who can work is almost surely lower than the percentage of retiree beneficiaries who could work if they had to. Moreover, a larger share of DI beneficiaries than of retiree beneficiaries are people of color, many of whom faced discriminatory barriers in their lives.

So, please, let's not imply that DI beneficiaries are a less deserving group or pit seniors against them.

Indeed, seniors, people with disabilities, and today's workers share a common interest in ensuring the long-term stability of all of Social Security.

That brings me to calls to rule out reallocation — and instead to loan funds from OASI to DI. That would be ill-advised unless DI also is provided the resources to pay the loan back, which proposals of this kind invariably don't do. A loan would dig a deeper hole for DI. And, I fear, it ultimately could lead to some demagoguery about what would be said to be DI's large debt, and to attempts to foster the impression that elderly beneficiaries are being ripped off by a DI program that cannot pay its debts. That would set the stage for much harsher DI changes, despite the vulnerability of people with disabilities.

That's why I strongly believe that while we should combine reallocation with measures to strengthen program integrity and to mount demonstration projects to test ways to improve DI, legislation that requires interfund borrowing instead of reallocation shouldn't be acceptable. The risk is simply too great.

Finally, let's talk for a moment about demonstrations.

There's an array of interesting ideas to help Americans with disabilities and to strengthen DI, many of which are being presented at this conference. Promising new ways to promote opportunity for current or prospective DI beneficiaries deserve to be tested. For example, SSA could test simplified work incentive rules and early intervention services.

We should have realistic expectations, however. In the past, SSA has tested various ways to boost work that produced limited results or did not prove cost-effective. We shouldn't expect to find a silver bullet.

In addition, demonstrations take time. Everyone in this room knows that demonstrations involve site selection, staff training, creating an experimental and a control group, and paying attention to

things like sample size. Demonstrations have to run long enough to establish validity. People respond differently to temporary and ongoing incentives. And participants must be tracked for long enough to verify whether results persist. In short, the results must be reliable so that they can guide policy that could affect millions of people, potentially for decades to come.

That means that Members of Congress should not think that carefully designed, well-evaluated demonstrations will produce results that can guide policy in just a few years. We need to educate Members so that they allow the time needed for demonstrations to yield reliable information.

In conclusion, Americans with disabilities face profound challenges — not only in returning to work, but in living with dignity and independence. Figuring out how to improve their lives isn't easy. I commend each of you, Congressmen Pomeroy and McCrery, and Ed Lorenzen and Marc Goldwein of the project staff, for working to advance our understanding of these important issues.

Thank you.