TOP 10 WAYS SENIORS WOULD FIX THE SOCIAL SECURITY DISABILITY INSURANCE PROGRAM

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For more information, contact:

Shannon Benton | *Executive Director* ***OR***
Jessie Gibbons | *Senior Policy Analyst*

The Senior Citizens League
1001 N. Fairfax St.
Suite 101
Alexandria, VA 22314

Telephone: (703) 548-5568 | Fax: (703) 740-4017

THE SENIOR CITIZENS LEAGUE

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On behalf of our approximately 1.2 million members and supporters, The Senior Citizens League (TSCL) would like to thank the Senate Finance Committee Chairman Orrin Hatch, the House Ways and Means Committee Chairman Paul Ryan, and the House Ways and Means Social Security Subcommittee Chairman Sam Johnson for allowing us the opportunity to submit our ideas for strengthening the Social Security Disability Insurance (DI) program.

TSCL consists of active and informed members, most of whom are currently enrolled in Social Security's Old-Age and Survivors Insurance (OASI) program. In recent months, we have conducted several surveys and polls of our members on the state of the DI program. We have found that they have strong opinions on the future of the DI program not only because 11 million disabled beneficiaries are at risk of a 20 percent cut in benefits, but also because any significant changes will likely impact the state of the retirement program as well.

Those who have participated in our various polls and surveys have made it clear that they do not support band-aid approaches like a loan or a simple transfer of funds from the OASI program to the DI program. In a survey conducted by TSCL in July 2014, less than one percent of participants said shifting revenues from one trust fund to another would be the best way to fix the program's financing.[1]

If Congress were to adopt a plan similar to the proposal in President Obama's fiscal 2016 budget blueprint, the OASI trust fund would receive nearly 1 percent less in payroll tax revenues for five years.[2] Our members and supporters are well aware of the retirement program's financial outlook, and they know that it cannot afford a significant loss in revenues. For older Americans, any proposals that would put the retirement program on worse financial footing are off the table.

Instead, they favor a long-term, balanced approach to fixing the DI program's finances. Based on the results of our surveys and polls, we have compiled a set of policy priorities. In the pages that follow, you will find seven policy options for which older Americans have expressed overwhelming support, and three policy options for which they have shown opposition.

[1] "No Support Among Seniors for Likely Disability Trust Fund Fix," The Senior Citizens League, July 29, 2014.
[2] "Budget of the United States Government, Fiscal Year 2016," Office of Management and Budget, February 2, 2015.

Policy Options WITH Senior Support

1. Increasing the Frequency of Continuing Disability Reviews

TSCL's members and supporters have long supported an increase in the use of Continuing Disability Reviews (CDRs), which are conducted periodically to determine if enrollees still qualify for benefits. In a July 2014 poll that asked respondents how they would prefer to fix the DI program's solvency, 48 percent expressed support for increasing the use of CDRs and tightened eligibility requirements, while 51 percent said they would prefer new revenues, and less than 1 percent said they would like to see a payroll tax reallocation.[3]

In recent years, the Social Security Administration has allowed an enormous CDR backlog to accumulate and increased funding could result in significant savings. According to the Social Security Advisory Board, every $1 spent on CDRs returns $9 to the DI program.[4] If Congress were to appropriate additional funding for CDRs, the program could expect to see as much as $12 billion in savings.[5]

2. Tightening Eligibility Requirements

As previously mentioned, TSCL's members and supporters have also expressed support for tightened eligibility requirements for the DI program. Two modest policy changes that have been recently analyzed by the CBO could achieve this in a fair manner.

First, applicants could be required to have worked slightly more in recent years. Currently, applicants must have worked five of the past ten years to qualify for DI benefits. Increasing this requirement to six of the past ten years would reduce the number of eligible beneficiaries only slightly in any given year, and it would save up to $8 billion, according to the CBO.[6]

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[3] "No Support Among Seniors for Likely Disability Trust Fund Fix," The Senior Citizens League, July 29, 2014.
[4] "2014 Disability Policy Panel: Continuing Disability Reviews," Social Security Advisory Board, December 2014.
[5] "Policy Options for the Social Security Disability Insurance Program," Congressional Budget Office, July 2012.
[6] Ibid.

Second, the age at which disability requirements become less restrictive could be increased. Currently, the criteria for qualifying for benefits becomes less restrictive at ages 45, 50, 55, and 60. This means that a 45-year-old applicant will qualify for benefits more easily than a 30-year-old with a comparable disability, and a 60-year-old will qualify more easily than a 50-year-old. TSCL feels that the first benchmark, set at 45 years, is too low and that it could be contributing to age discrimination in the workplace. Eliminating the first benchmark but keeping the remaining three would save approximately $1 billion in the first year.[7]

3. Prohibiting DI and Unemployment "Double-Dipping"

No laws currently prevent individuals from receiving both DI benefits and Unemployment Insurance (UI) benefits at the same time. TSCL supports legislation from Senator Orrin Hatch (UT) and Congressman Sam Johnson (TX-3) that would close this loophole – the *Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act* (S. 499, H.R. 918). This bill would reduce DI payments by $5.7 billion over a decade, and TSCL feels it would be a sensible step forward.[8]

4. Improving the Integrity of Disability Evidence

TSCL supports another common-sense piece of legislation from Senator Hatch and Congressman Johnson – the *Improving the Integrity of Disability Evidence Act* (S. 1198, H.R. 1936). This bill would prohibit the use of evidence from convicted felons and other criminals when making disability determinations. TSCL feels that preserving the integrity of the DI program is of utmost importance, and that medical evidence from physicians and other providers with criminal histories should not be considered.

5. Increasing Work Incentives

Many on Capitol Hill have expressed concerns about the "cash cliff" – the $1,090 monthly earnings limit to which DI enrollees are subjected. TSCL agrees that the "cash cliff"

[7] "Policy Options for the Social Security Disability Insurance Program," Congressional Budget Office, July 2012.
[8] "Letter to the Honorable Sam Johnson," Stephen Goss, Office of the Chief Actuary, February 12, 2015.

could be serving as a disincentive for some beneficiaries who are capable of re-entering the workforce.

We feel that simply adopting the approach used by the OASI program would be the most sensible solution. In the OASI program, beneficiaries under the full retirement age can earn $1,310 per month before their benefits are reduced by $1 for every $2 earned. Applying this graduated earnings offset to the DI program would allow enrollees to work without the fear of losing their benefits unexpectedly. It is a proven solution that will likely have a large long-term impact on the DI program's solvency if adopted.

6. Increasing the Payroll Tax Cap

For several years, TSCL's members and supporters have shown overwhelming support for an increase in the Social Security payroll tax cap. Currently, the cap sits at $118,500, and unlike Medicare taxes, no income over that amount is subject to Social Security taxes. In our January 2015 survey, 70 percent of respondents said they would like to see the full 12.4 percent tax applied to all earnings, while only 7 percent said they would oppose that change.[9]

Several bills before Congress would increase the payroll tax cap in different ways. For example, Congressman Peter DeFazio's (OR-4) *FAIR Social Security Act* (H.R. 1984) would eliminate the cap altogether, and for a one-year period, it would contribute all new revenues from above the indexed cap to the DI trust fund, bringing its solvency back in line with the OASI trust fund.[10] Another bill – the *Social Security 2100 Act* (H.R. 1391), introduced by Senator Richard Blumenthal (CT) and Congressman John Larson (CT-1) – would allow the cap to continue rising with inflation, while also applying the tax to income over $400,000.[11] TSCL supports these two approaches along with several others, since they would increase the solvency of both trust funds considerably without enacting harsh benefit cuts.

7. Increasing the Payroll Tax Rate

[9] "How Older Americans Would Fix Social Security," The Senior Citizens League, August 7, 2015.
[10] "The FAIR Social Security Act: Section by Section Summary," Congressman Peter DeFazio, April 23, 2015.
[11] "Fact Sheet: The Social Security 2100 Act," Congressman John Larson, March 17, 2015.

TSCL's members and supporters have also indicated their support for an increase in the payroll tax rate. In our January 2015 survey, 45 percent of respondents said they support a gradual increase in the tax rate by 1 percent for both workers and employers, while only 30 percent said they are opposed.[12]

TSCL currently supports one bill before Congress – the *Social Security 2100 Act* (H.R. 1391) from Senator Blumenthal (CT) and Congressman Larson (CT-1) – that would adopt a similar tax increase. Their bill would very gradually increase the payroll tax rate by 0.1 percent annually until it reaches 15.3 percent, up from the current rate of 12.4 percent.[13] The tax increase would amount to an additional 50 cents per week for the average American worker – an amount that TSCL feels is reasonable.[14]

Policy Options WITHOUT Senior Support

1. Cutting Back Benefits

Older Americans oppose policy options that would scale back spending by reducing benefits for disabled enrollees. OASI beneficiaries know all too well the difficulties of living on a fixed income. They also understand the compounding effect that even the smallest benefit cut can have over the course of several years. Social Security beneficiaries in both the DI and OASI programs cannot afford a cut in benefits.

In recent years, the CBO has analyzed several policy options that would amend the DI benefit formula and reduce benefits. TSCL believes two options would be particularly harmful: reducing benefits for newly eligible workers by 15 percent and reducing benefits gradually for new beneficiaries who are 53 and older.[15] Not only would these two policy options result in higher poverty rates among the disabled, but they would also add significant new obligations to the Supplemental Security Income (SSI) program and to the OASI program.

[12] "How Older Americans Would Fix Social Security," The Senior Citizens League, August 7, 2015.
[13] "Fact Sheet: The Social Security 2100 Act," Congressman John Larson, March 17, 2015.
[14] Ibid.
[15] "Policy Options for the Social Security Disability Insurance Program," Congressional Budget Office, July 2012.

2. Reducing the COLA

Several policymakers on Capitol Hill have expressed their support for the adoption of the "chained" CPI, which would result in more slowly-growing cost-of-living adjustments (COLAs) for beneficiaries. In a survey conducted by TSCL in January 2014, nearly 85 percent of respondents expressed their opposition to this switch, and only 5 percent said they strongly favor its adoption.[16]

Older Americans oppose the adoption of the "chained" CPI since it would amount to a considerable benefit cut when the effect on benefits is compounded over the course of one or two decades. Additionally, they feel that the Consumer Price Index for Urban Wage Earners (CPI-W) – the index that is currently used – underestimates the inflation they experience since it fails to capture medical expenses, Medicare premiums, and other significant expenses that both OASI and DI beneficiaries rely upon.

To make the COLA as accurate as possible, older Americans believe Social Security COLAs should be based on the Consumer Price Index for the Elderly (CPI-E). Several bills before Congress would accomplish this, including the *CPI-E Act* (H.R. 3351), the *Social Security 2100 Act* (S. 1904, H.R. 1391), the *Social Security Expansion Act* (S. 731), the *FAIR Social Security Act* (H.R. 1984), and the *Protecting and Preserving Social Security Act* (S. 960, H.R. 1811).

3. Extending Waiting Periods

Older Americans are also opposed to extended waiting periods for DI beneficiaries. The CBO has analyzed an extension of the post-approval waiting period from five months to twelve months, which would reduce outlays by as much as 7 percent.[17] Policymakers have also discussed an extension of the waiting period for Medicare past the current two-year mark.

TSCL feels these two policy options would fail to strengthen the program in a responsible way. In fact, we believe the two-year wait for Medicare eligibility is too long for disabled

[16] "How You Would Fix Social Security & Medicare: Results from TSCL's 2014 Survey," The Senior Citizens League, August 7, 2014.
[17] "Policy Options for the Social Security Disability Insurance Program," Congressional Budget Office, July 2012.

beneficiaries, and we would support a shortened timeframe to ensure that beneficiaries have access to quality, affordable health care.

Conclusions

Despite the short timeframe, TSCL is optimistic that Congress can avert a 20 percent cut in benefits and strengthen the DI program before the end of next year. We support a balanced approach of revenue increases, fraud reduction, tightened eligibility requirements, and workforce incentives. These methods have been backed by older Americans through various surveys and polls, and they represent a responsible path forward.

Again, we applaud the committees for their work on this important issue, and we thank Chairman Hatch, Chairman Ryan, and Chairman Johnson for allowing us to submit our priorities and ideas. In the coming months, we look forward to working with Congress, the Administration, and other stakeholders in any way necessary to protect and strengthen Social Security's Disability Insurance program.