

The Financing Challenges Facing the Social Security Disability Insurance Program

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Social Security Administration

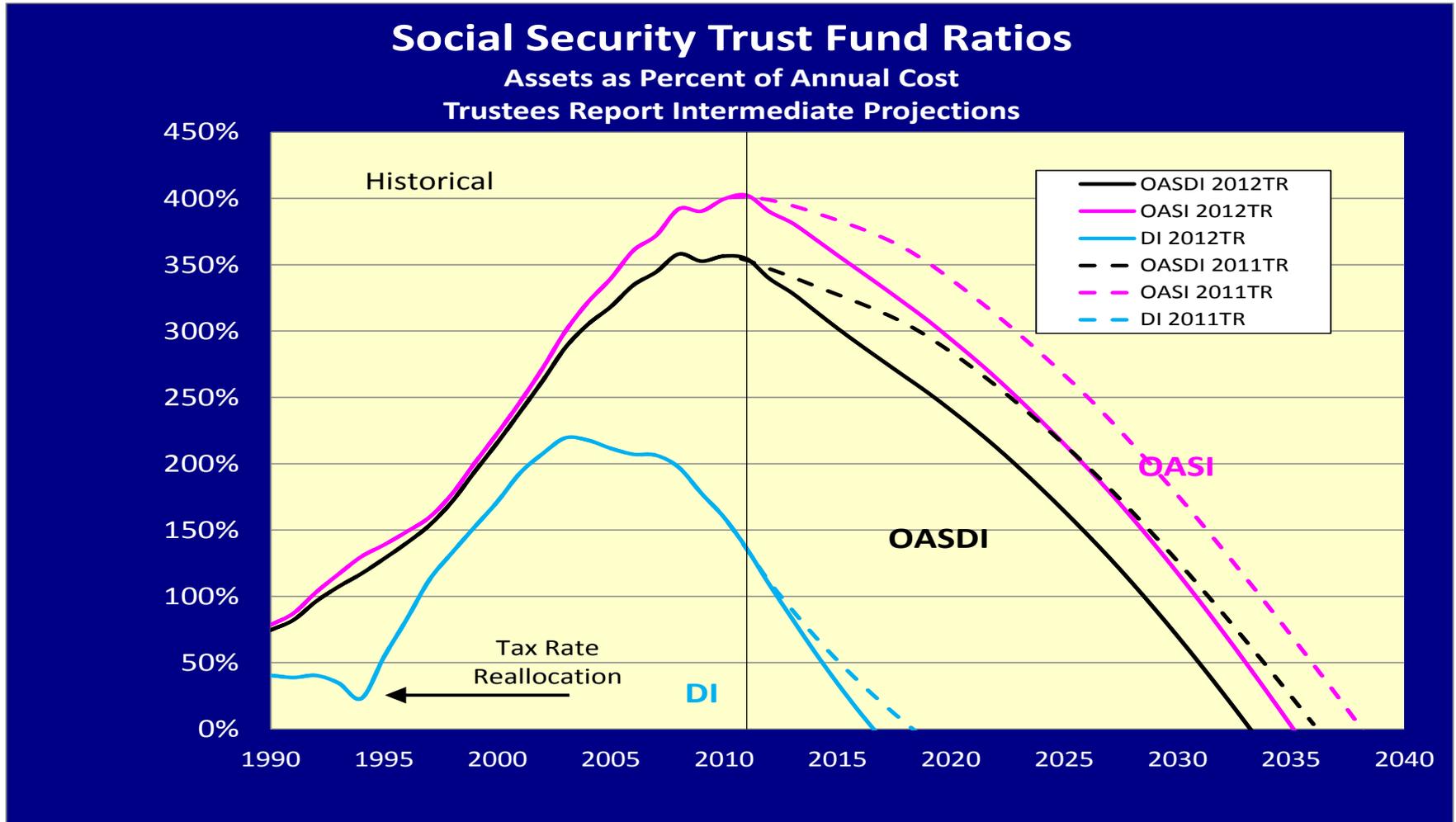
“Social Security Disability: Time for Reform”
Social Security Advisory Board Forum
March 8, 2013

Topics

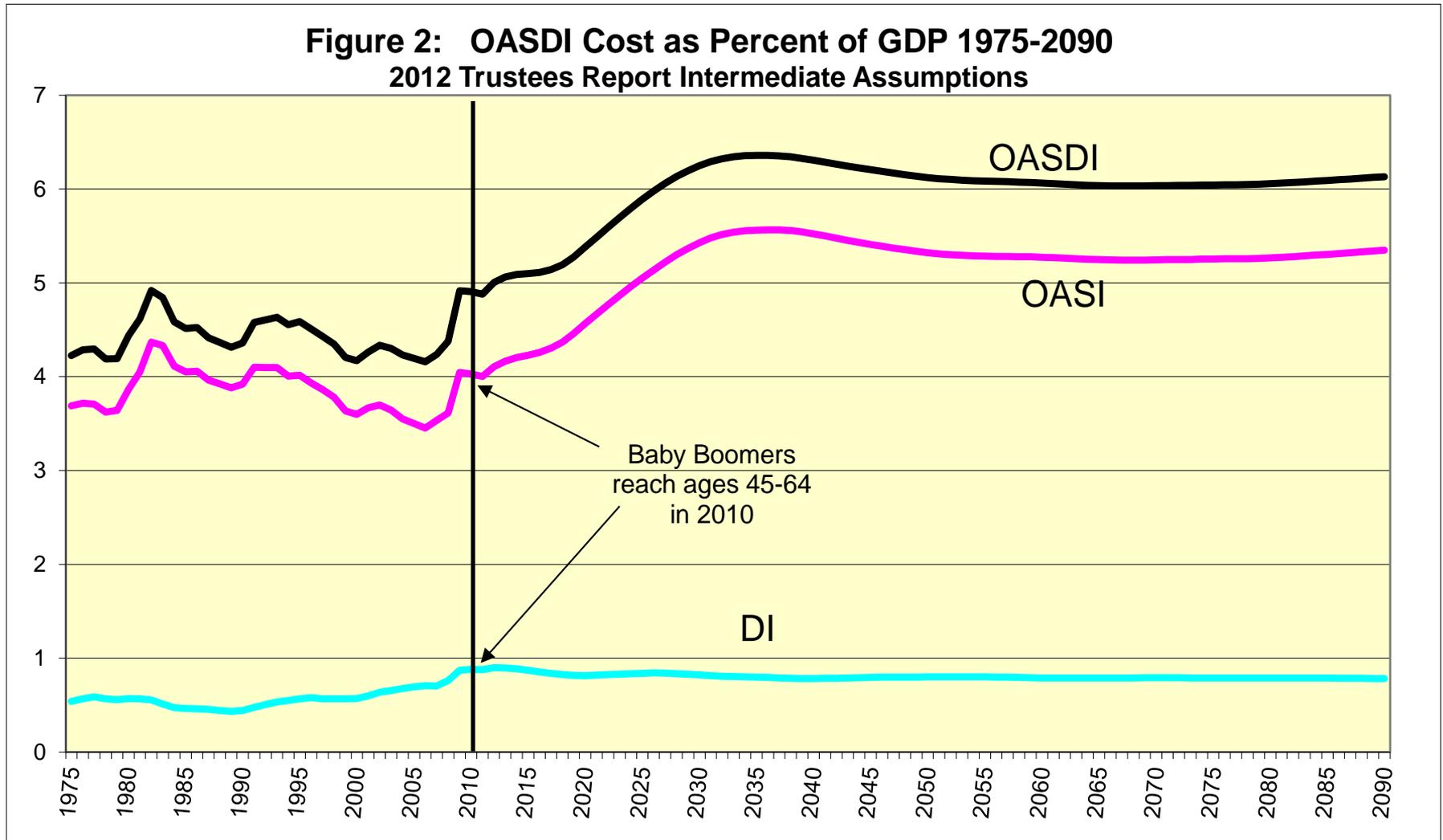
- 1) An update on the projected financial status of the DI Trust Fund;
- 2) The “drivers” of increasing costs over the past several decades;
- 3) The Trustees’ assumptions for future trends in cost; and
- 4) Changes in the distribution of disabled workers by age and medical diagnosis.

1) DI reserves depleted in 2016, as projected in 1995 after tax rate reallocation; 80% payable after 2016

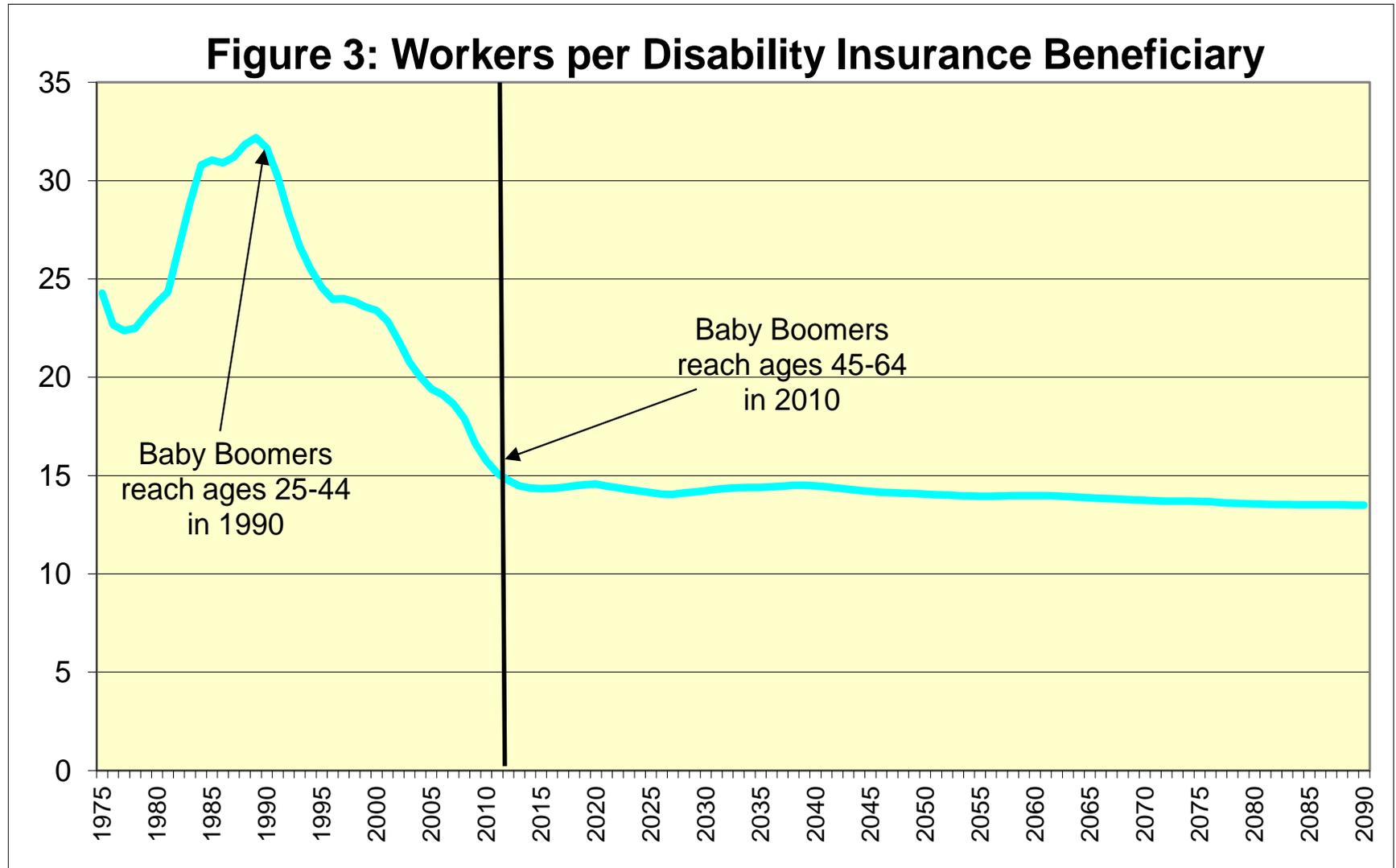
Figure 1: Status of Social Security OASI and DI Trust Funds



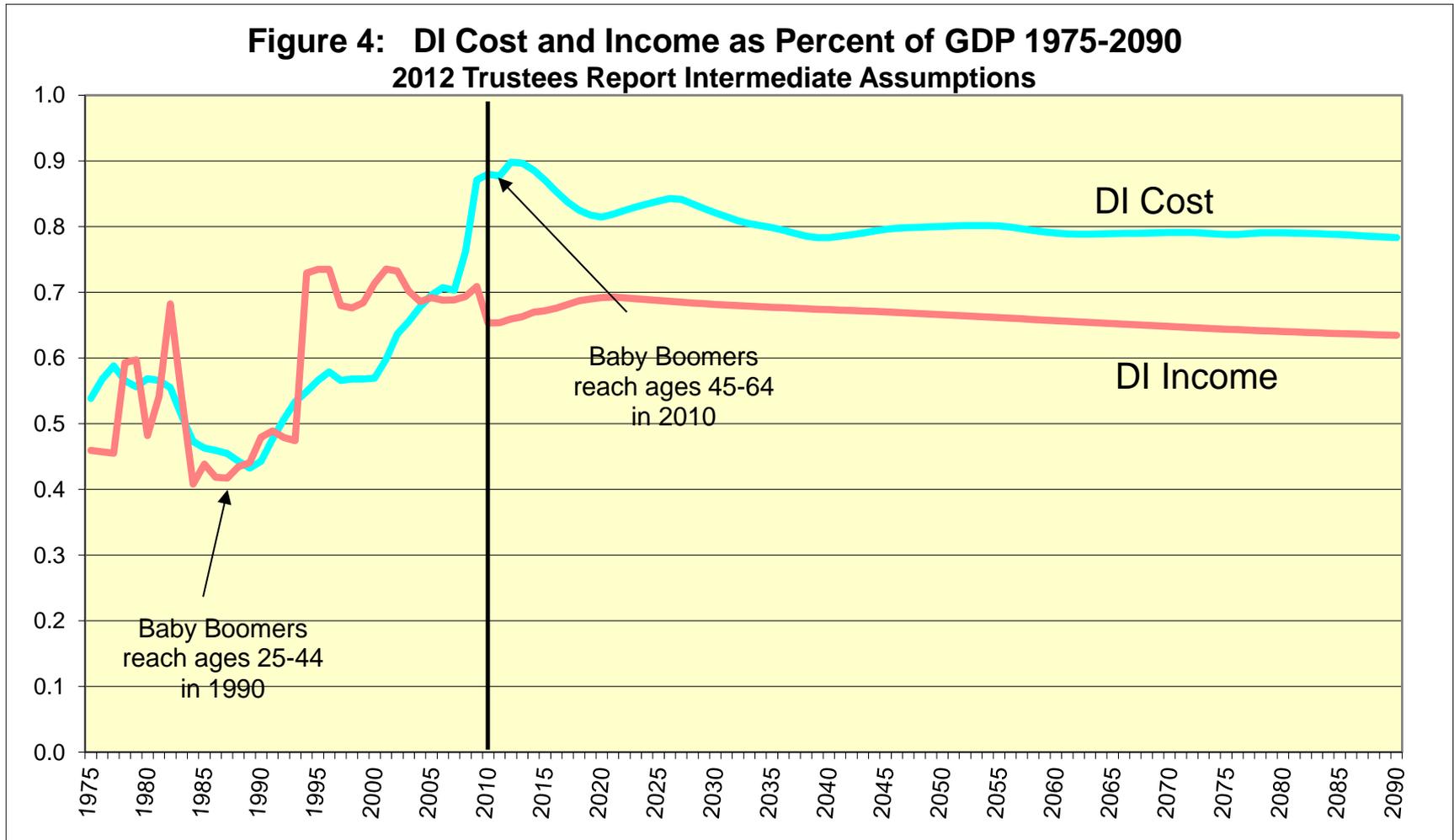
1) “Aging” of population from lower birth rates that will affect OASI in next 20 years has already affected DI



1) Shift down in tax-paying workers per DI beneficiary is now complete



1) Thus, DI cost as percent of GDP has peaked, but scheduled income is too low by 16 percent



2) Drivers of increased DI cost between 1980 and 2010

Disabled worker beneficiaries up by **187%**

– But tax-paying workers up by only 39%

I. A **41%** increase in population age 20-64

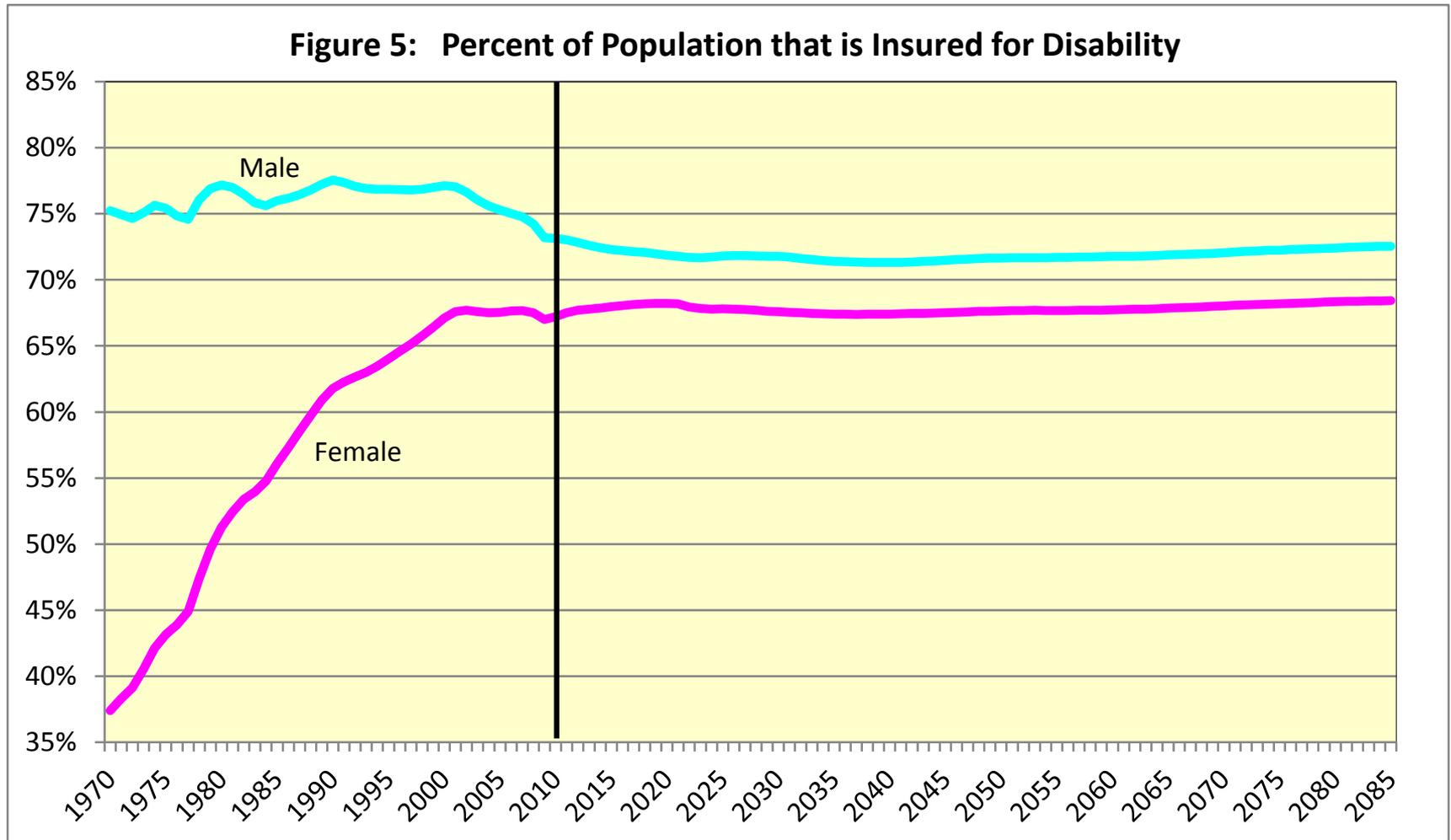
II. “Aging” added **38%** to gross prevalence

III. An **8%** increase in insured (net of undocumented population increase)

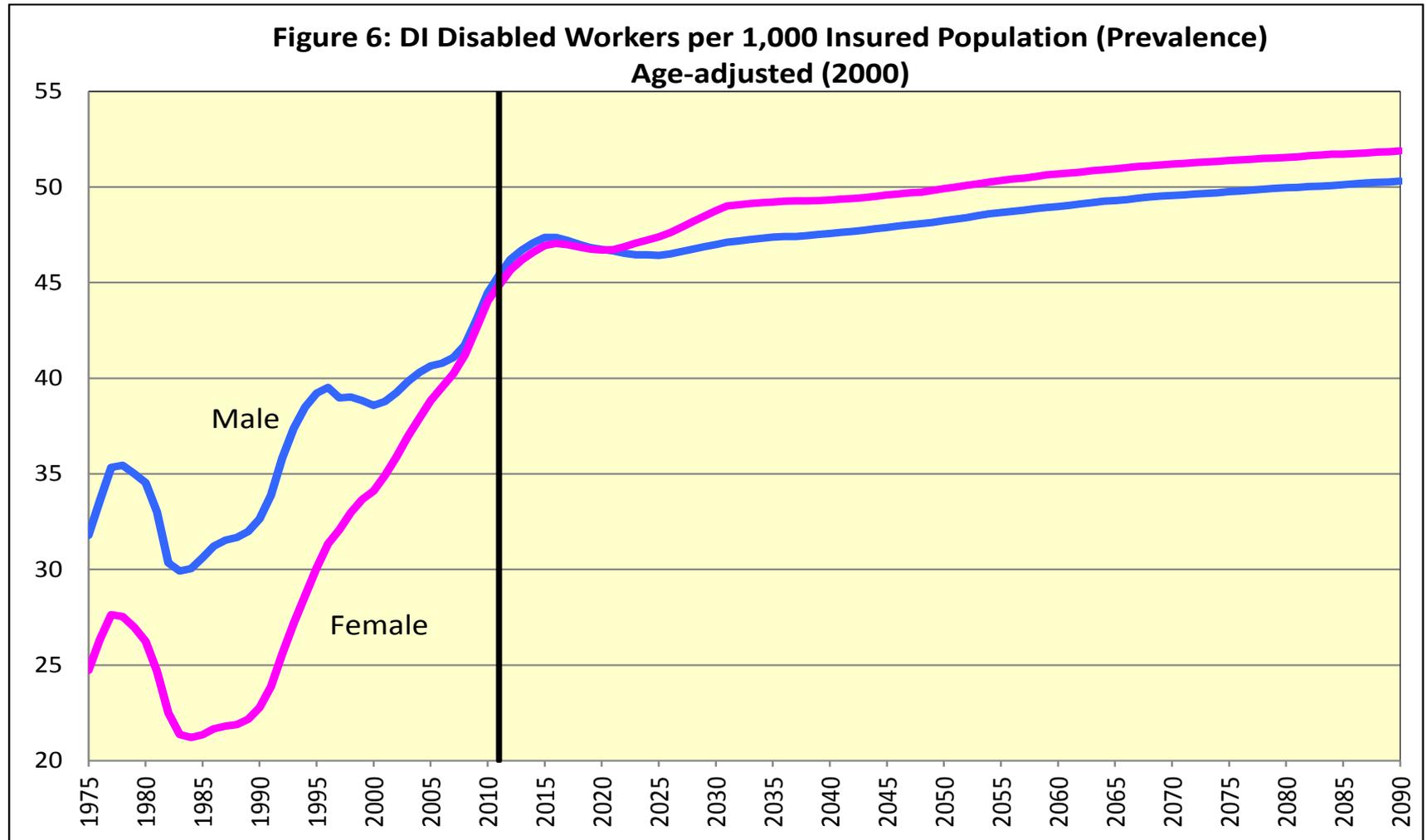
IV. A **42%** increase in age-adjusted prevalence:

female incidence, younger, fewer deaths

2) Increased work by women raised insured; partially offset by more undocumented

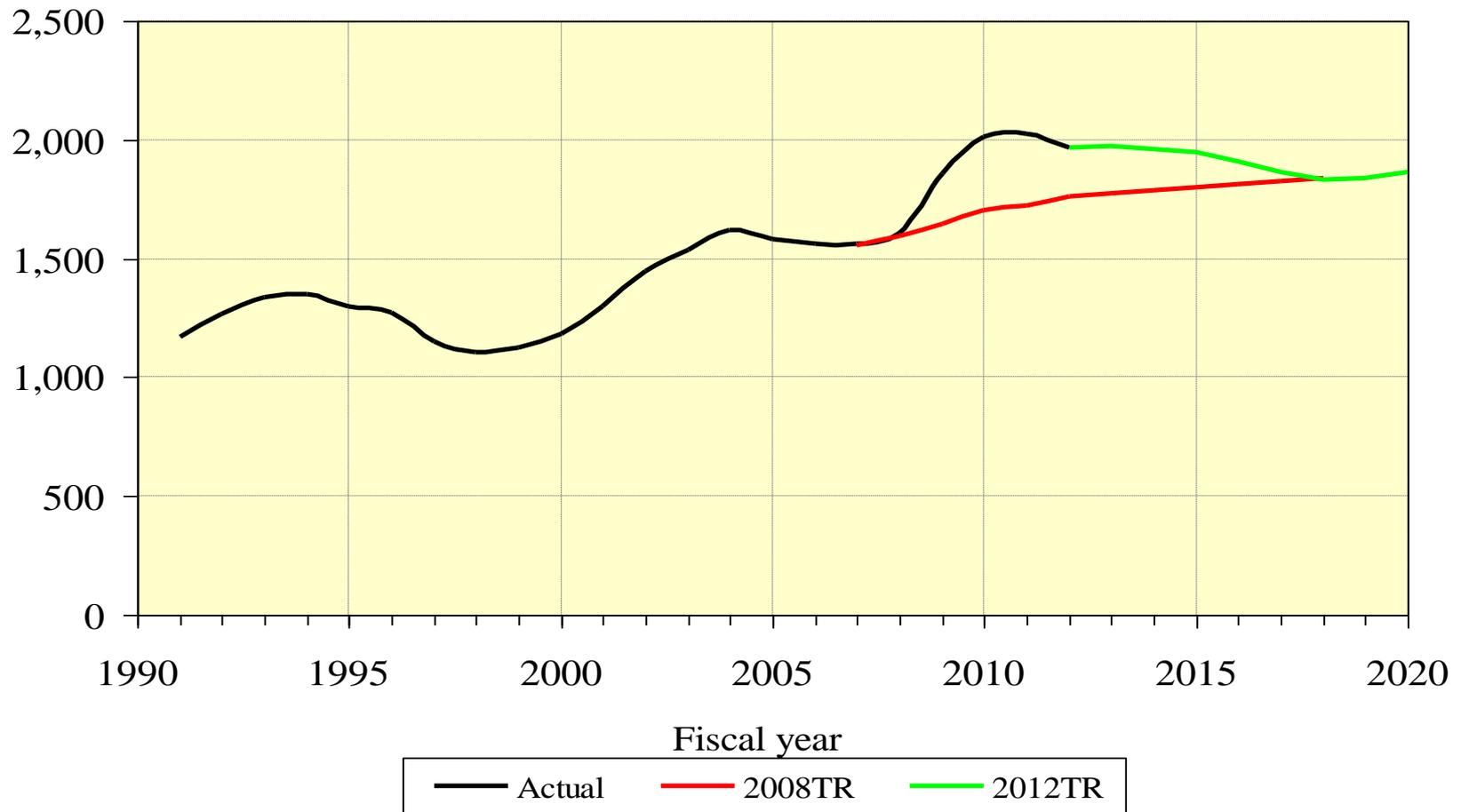


2) So age-adjusted prevalence rate has equalized

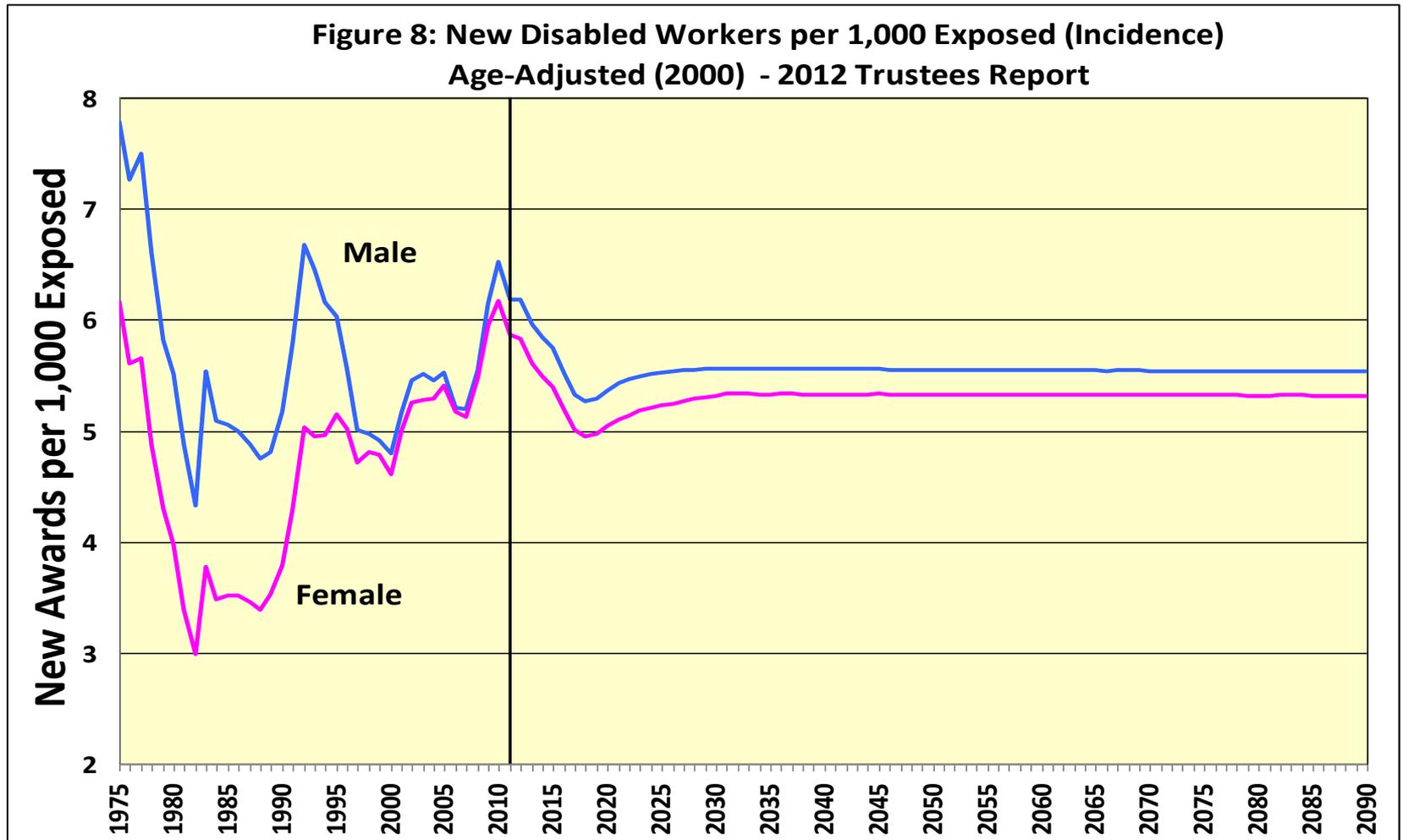


3) Recessions matter: applications jumped in recent recession

Figure 7: OASDI DDS Applications: Disabled workers, children and widows (*thousands*)

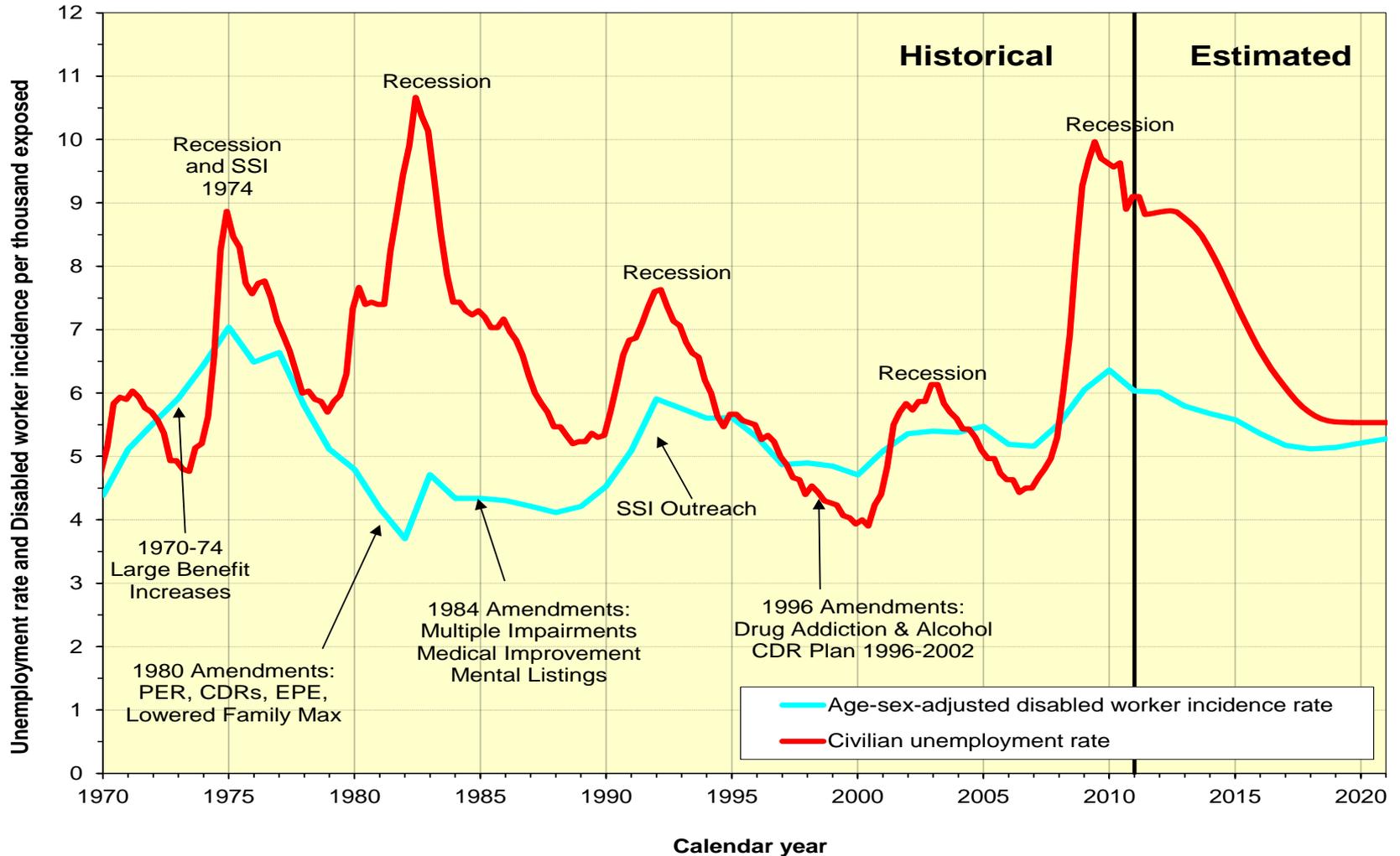


3) Incidence rates for women have risen to male level

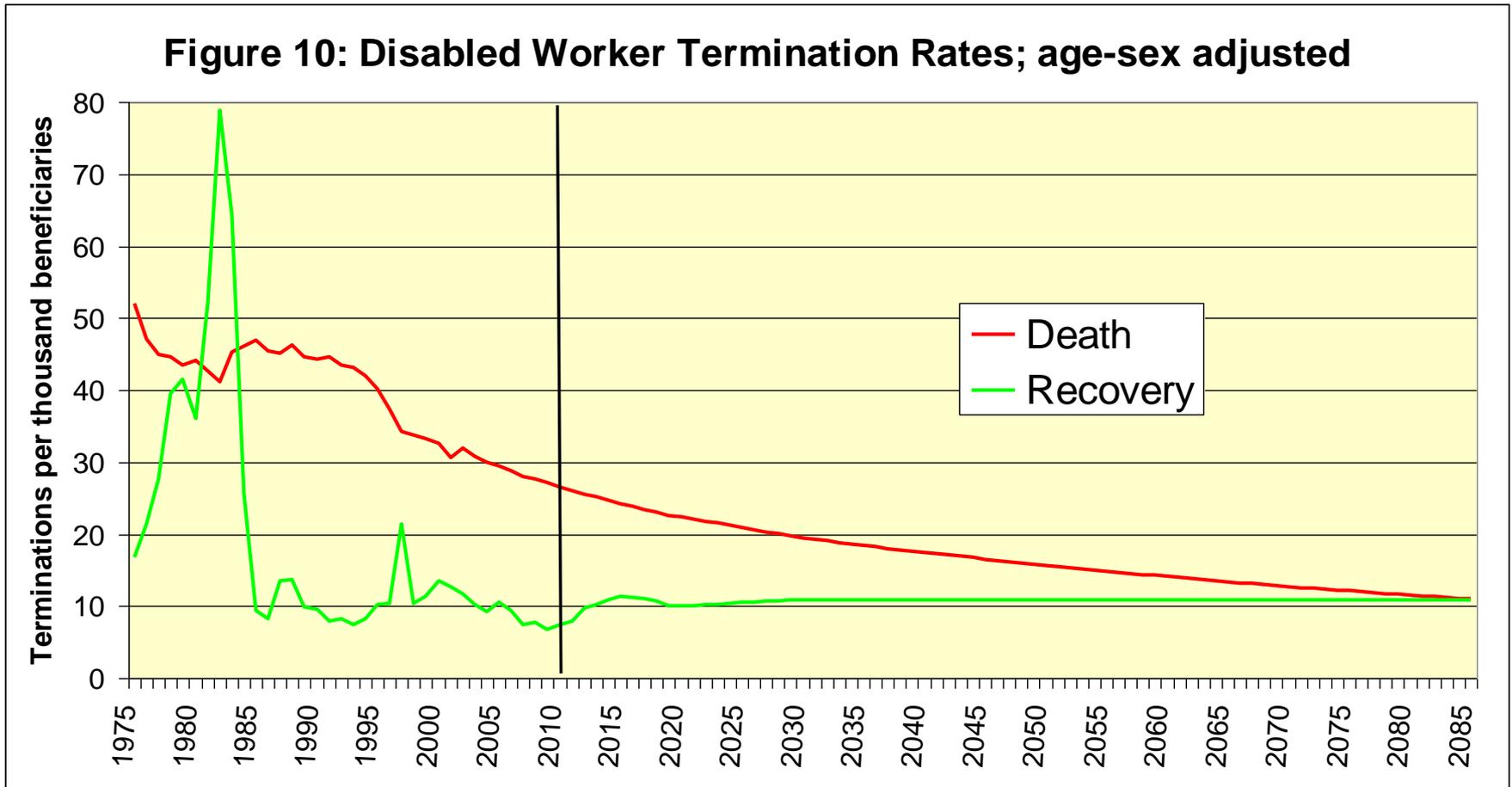


3) Economic cycles and policy changes fluctuate

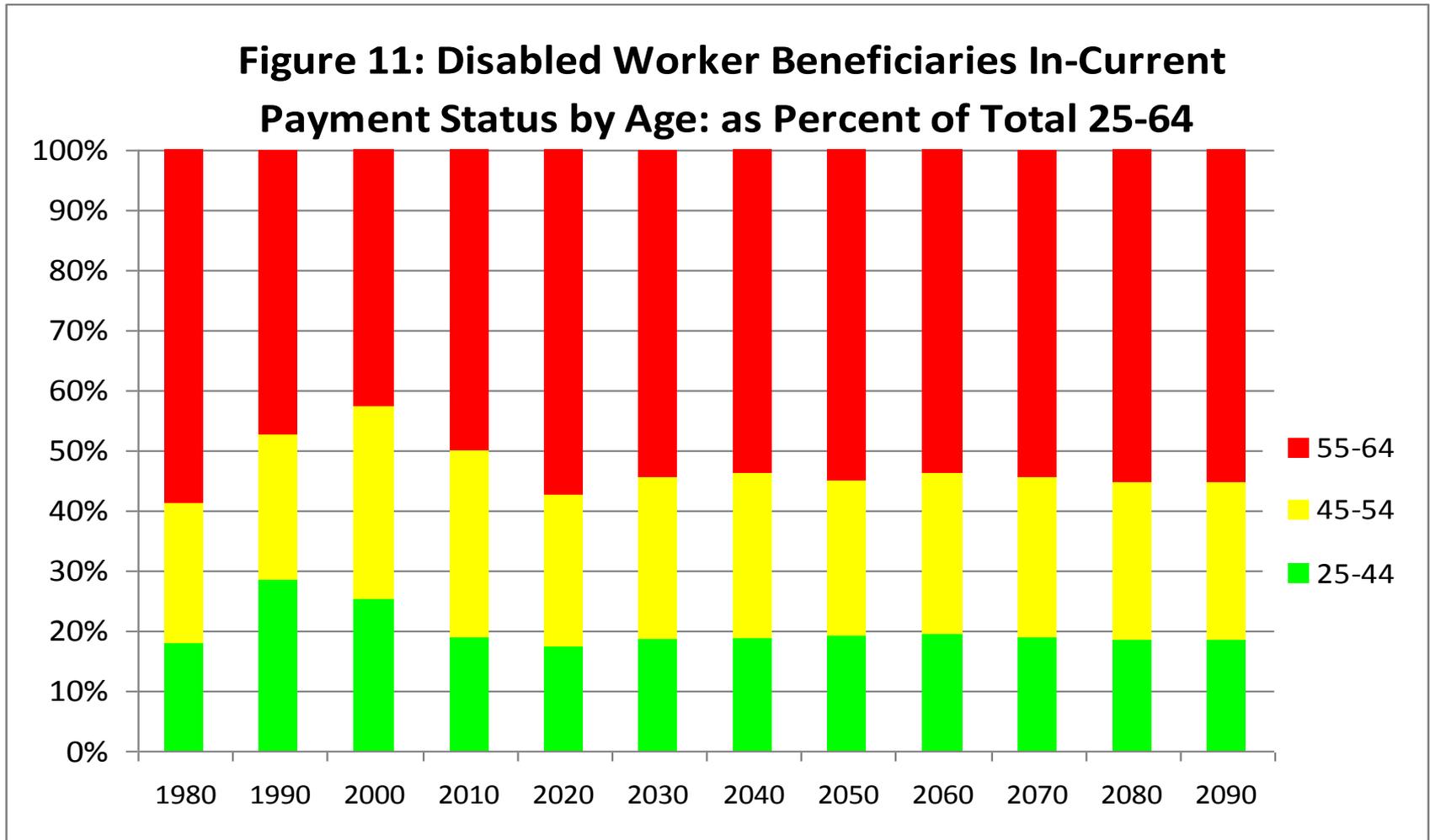
Figure 9: Effects of Economic Cycles and Policy Changes on DI Incidence Rates



3) Death rates dropping: recovery rates steady since 1985 (half medical, half work)

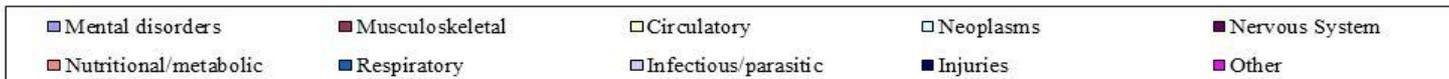
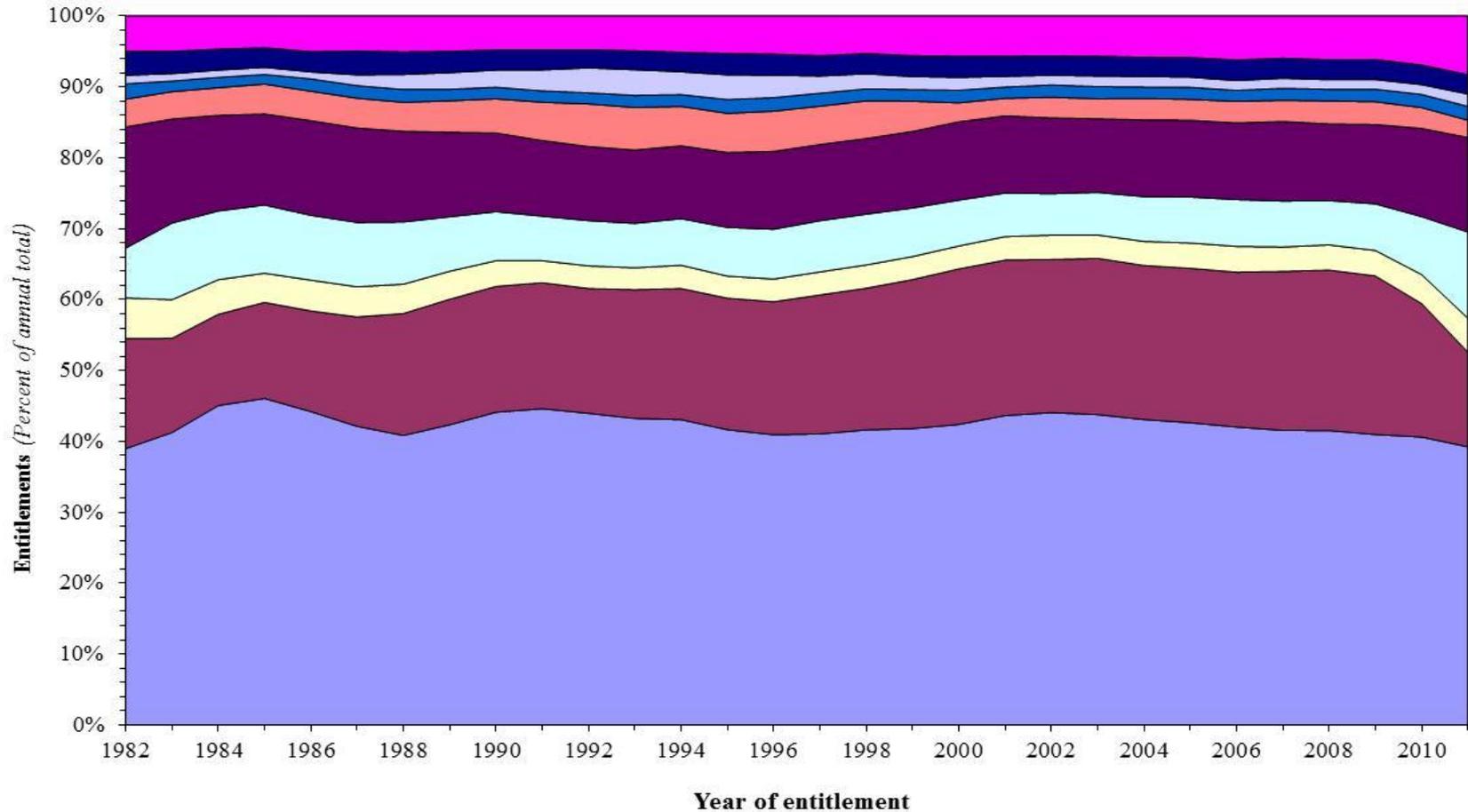


4) Beneficiaries under 45: rose with boomers to 1990; drops back with aging (birth rates)



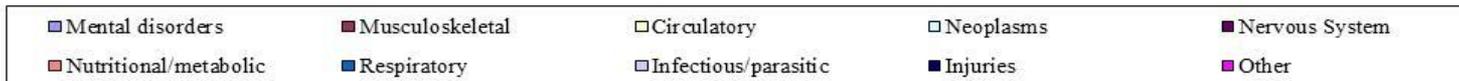
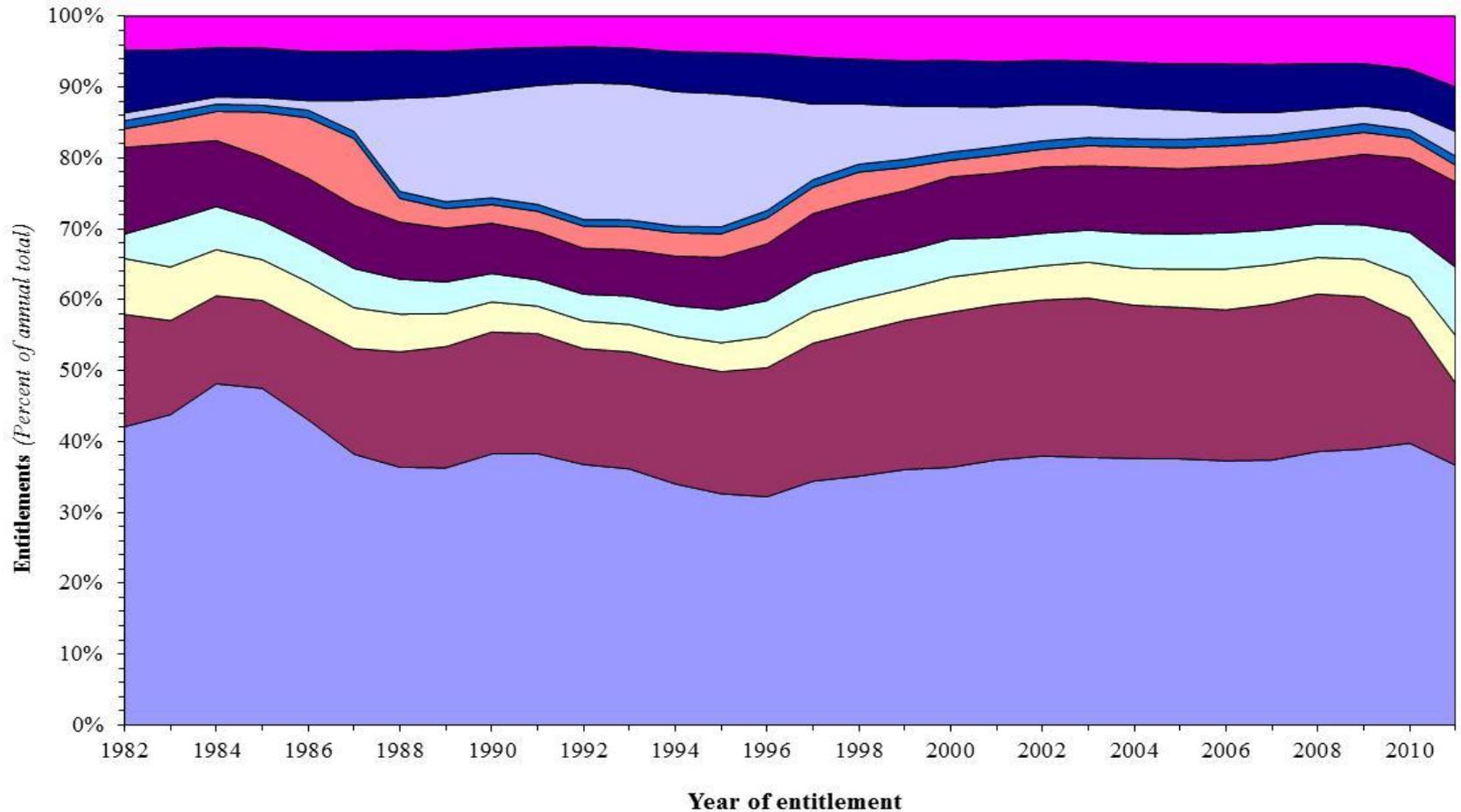
4) Young females: steady distribution by medical impairment

Figure 12: Female Age 30-39 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



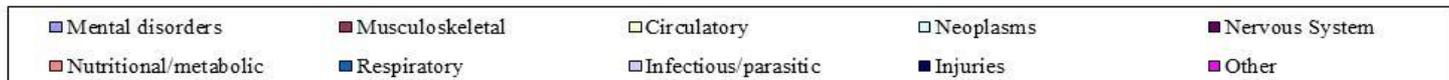
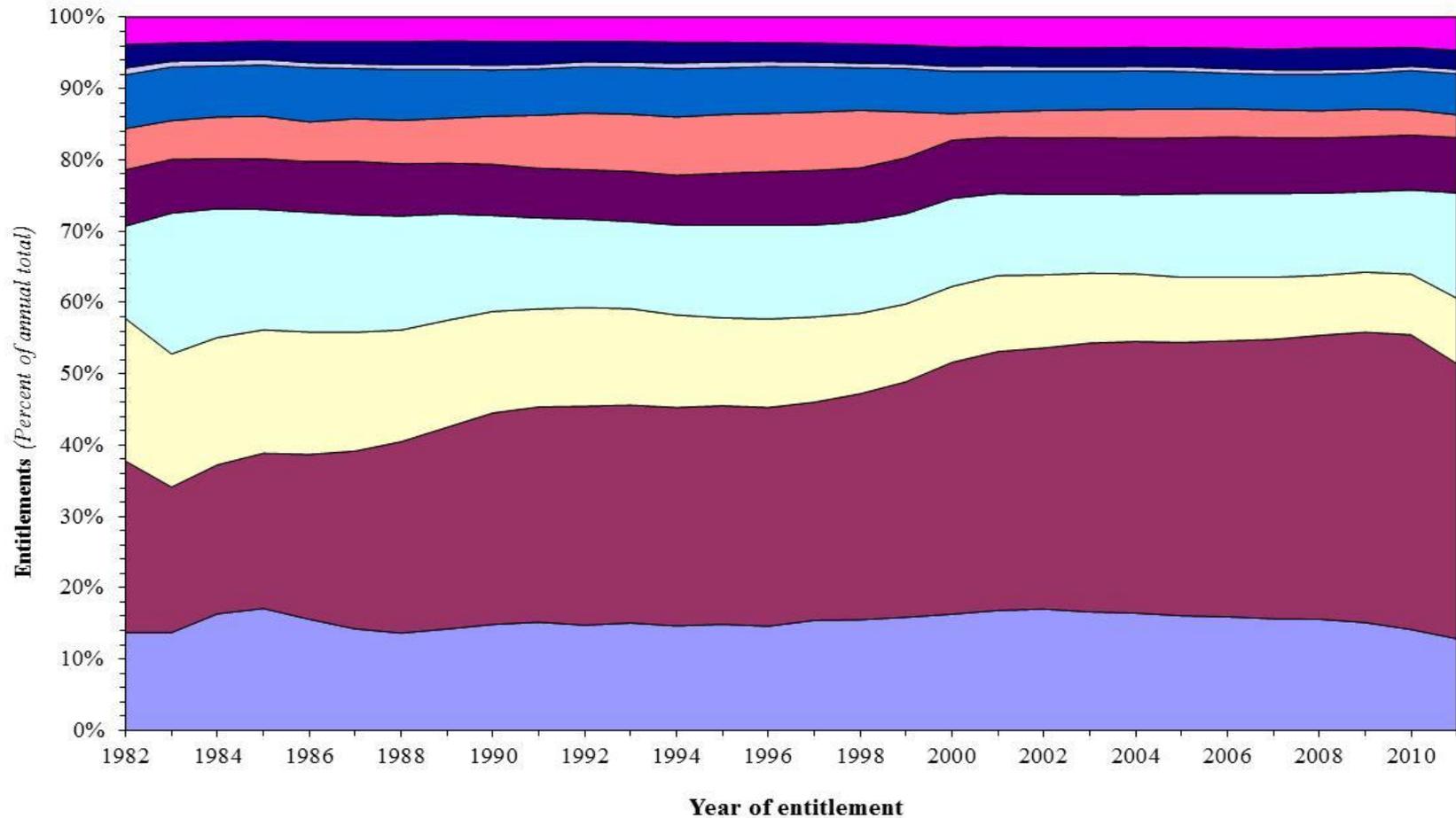
4) Young males: steady but for HIV bulge in 1986-2000

Figure 13: Male Age 30-39 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



4) Older females: increased musculoskeletal impairment

Figure 14: Female Age 50-59 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)



4) Older males: increased musculoskeletal impairment; less cardiovascular

Figure 15: Male Age 50-59 disabled worker new entitlement distribution by primary diagnosis (awarded through June 2012)

