The SSDI Trust Fund: On the Road to Insolvency

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Overview

- Social Security Disability Insurance (SSDI)
- Projected insolvency of the SSDI Trust Fund
- Growing number of beneficiaries
- Growing expenditures
- Trends in employment and household income for people with disabilities
- Policy dilemma
SSDI

- Part of the Social Security program
- Social insurance to partially replace earnings for people who are unable to continue work
- Eligibility requires:
  - Sufficient earnings history in covered employment
  - Inability to engage in substantial gainful activity (SGA) for at least 12 months or until death because of a medically determinable condition
    - Current SGA standard for nonblind beneficiaries is $1,000/month
  - Five-month waiting period
SSDI (cont’d.)

- All SSDI beneficiaries are eligible for Medicare after 24 months on SSDI
- People with very low incomes and few resources may qualify for Supplemental Security Income (SSI), Medicaid, and in-kind benefits from other programs
SSDI Is Financed by Payroll Taxes

- **Social insurance premiums**
  - Federal Insurance Contributions Act (FICA)
  - Half paid by employers, half by employees
  - 1.8 percent out of 12.4 percent for Social Security
  - Medicare payroll tax is 2.9 percent

- **Payroll taxes are paid into the SSDI Trust Fund**

- **Benefits are paid out of the SSDI Trust Fund**
## Trust-Fund Projections (as of 5/13/11)

<table>
<thead>
<tr>
<th>Trust Fund</th>
<th>Zero Balance Projected</th>
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<tbody>
<tr>
<td>SSDI</td>
<td>2018</td>
</tr>
<tr>
<td>Old Age and Survivors Insurance (OASI)</td>
<td>2038</td>
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<tr>
<td>Combined</td>
<td>2036</td>
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<tr>
<td>Medicare Hospital Insurance</td>
<td>2024</td>
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Growth in SSDI Beneficiaries

SSDI Worker Beneficiaries Under Age 65, 1970 - 2010

Source: Analysis of published statistics from SSA (details available on request).
Growth in SSDI Beneficiaries (cont’d.)

SSDI Worker Beneficiaries Under Age 65, 1970 - 2010

Source: Analysis of published statistics from SSA (details available on request).
Growth in Federal Expenditures

SSDI and Medicare Expenditures for People Under Age 65
Relative to GDP and Federal Outlays, 1970 to 2010

Sources: Published SSA and CMS statistics. Details available on request.
The Underlying Problem: Fewer People with Disabilities Are Working

Relative Employment Rate of Persons with Work Limitations, 1980 - 2009

Relative Decline in Household Income

Relative Employment Rate and Household Income of Persons with Work Limitations, 1980 - 2009

A Policy Dilemma

- Policy makers must address the pending insolvency of the SSDI Trust Fund
- All options have problems
  - Fix the financing
  - Address the underlying problem
Options to Fix the Financing

- Default: delay benefit payments
- Increase the SSDI payroll tax
- Re-direct OASI revenues into SSDI
- Tighten eligibility
- Systematically reduce benefits
Addressing the Underlying Problem

- Help people stay at work after the onset of significant, long-lasting medical conditions
- But how can policymakers ensure that:
  - Benefits are protected for those who cannot work?
  - Workers with disabilities are helped, not harmed?
  - Federal expenditures to support this population are reduced, not increased?
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