

The SSDI Trust Fund: On the Road to Insolvency

David C. Stapleton

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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**

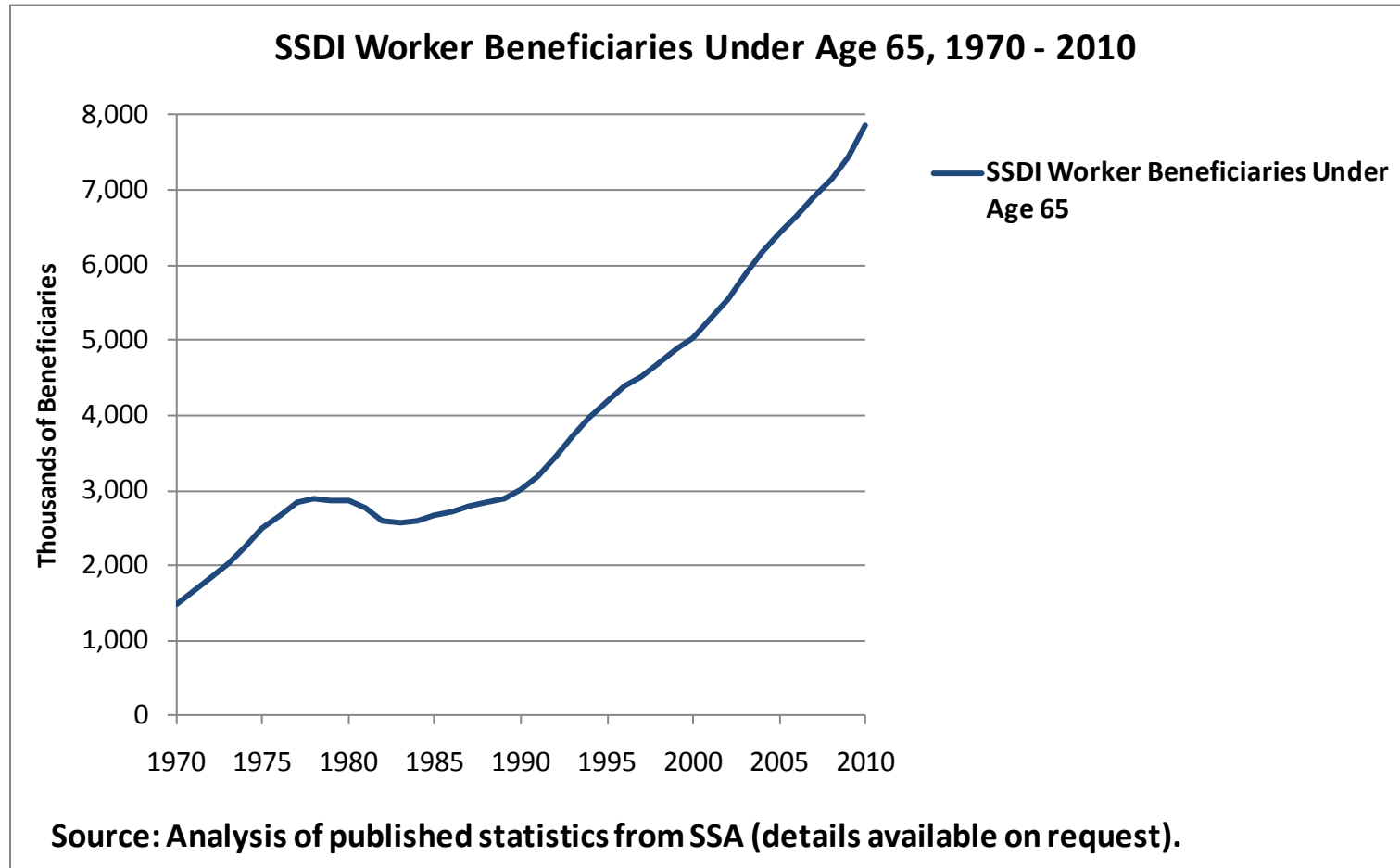
SSDI Is Financed by Payroll Taxes

- **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**

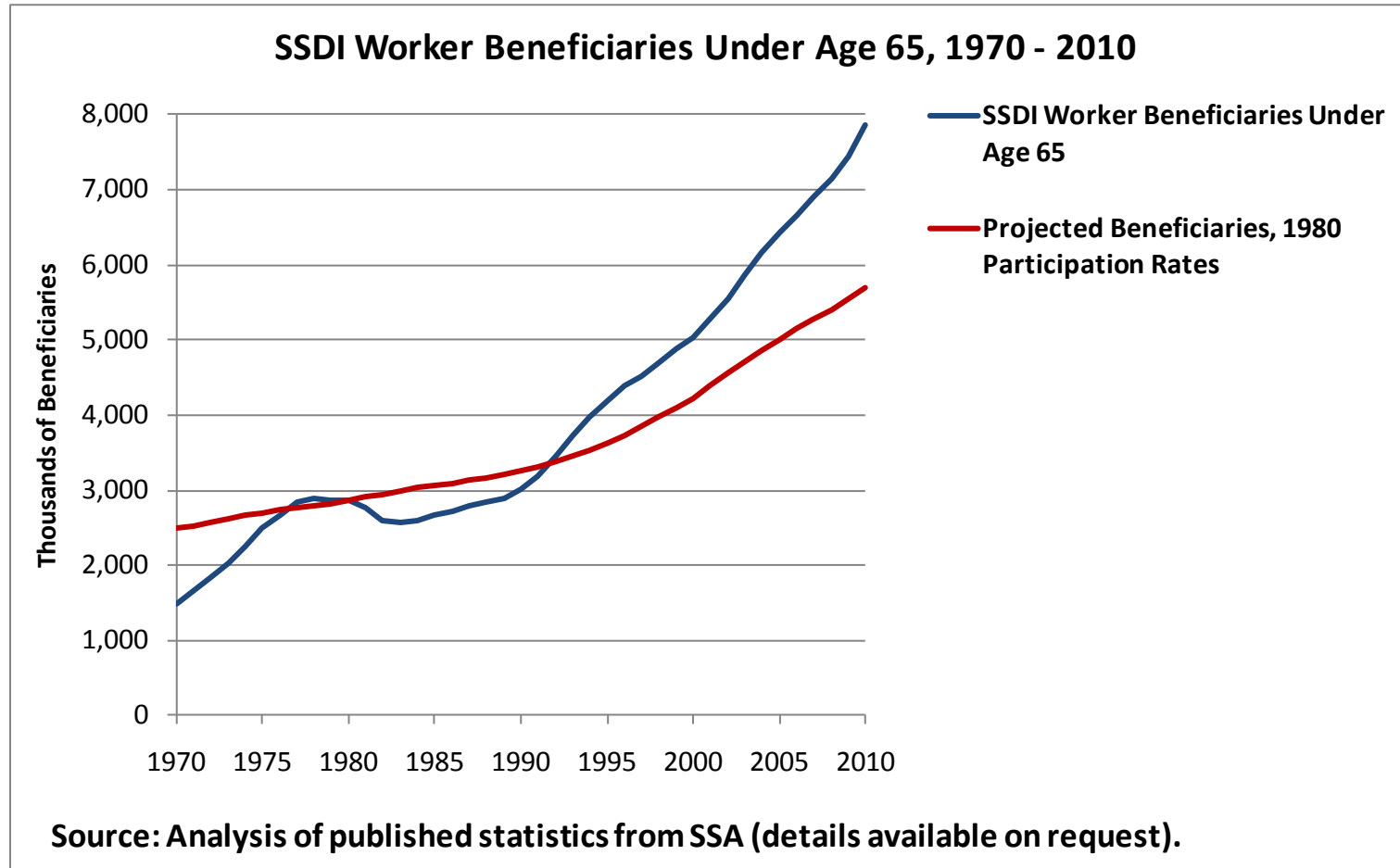
Trust-Fund Projections (as of 5/13/11)

Trust Fund	Zero Balance Projected
SSDI	2018
Old Age and Survivors Insurance (OASI)	2038
Combined	2036
Medicare Hospital Insurance	2024

Growth in SSDI Beneficiaries

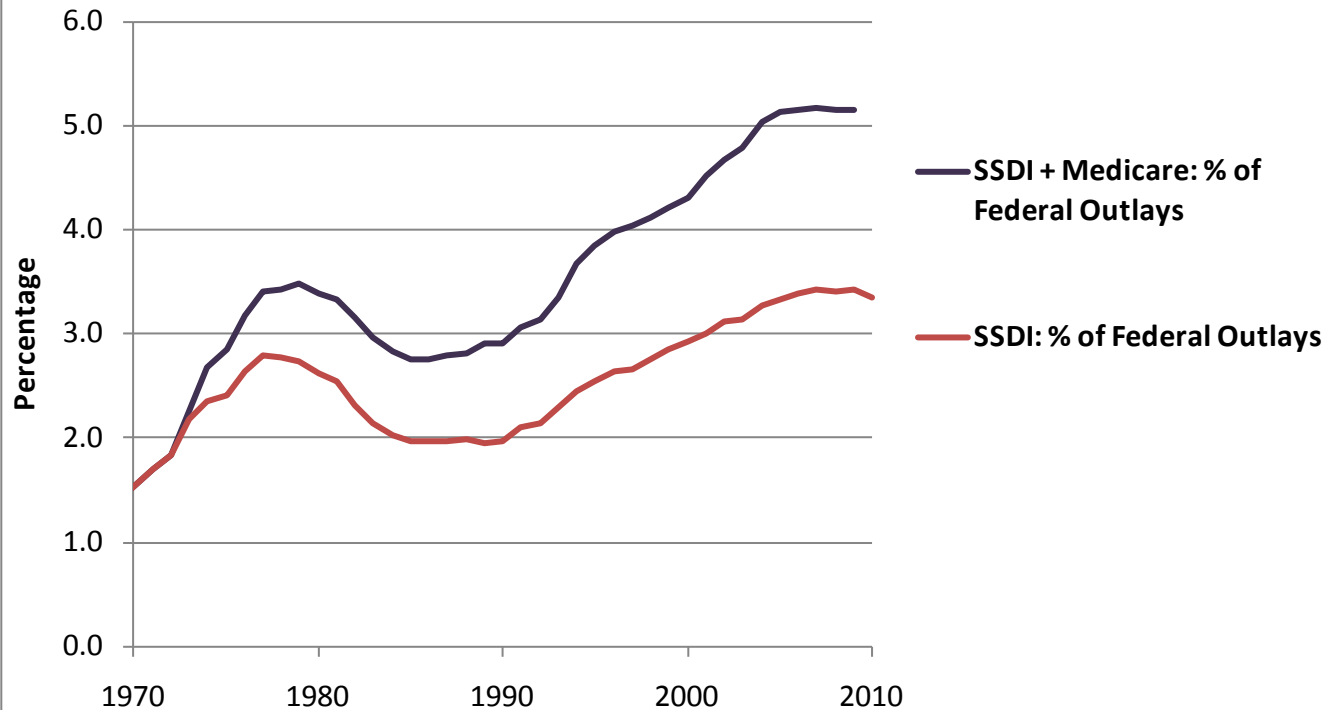


Growth in SSDI Beneficiaries (cont'd.)



Growth in Federal Expenditures

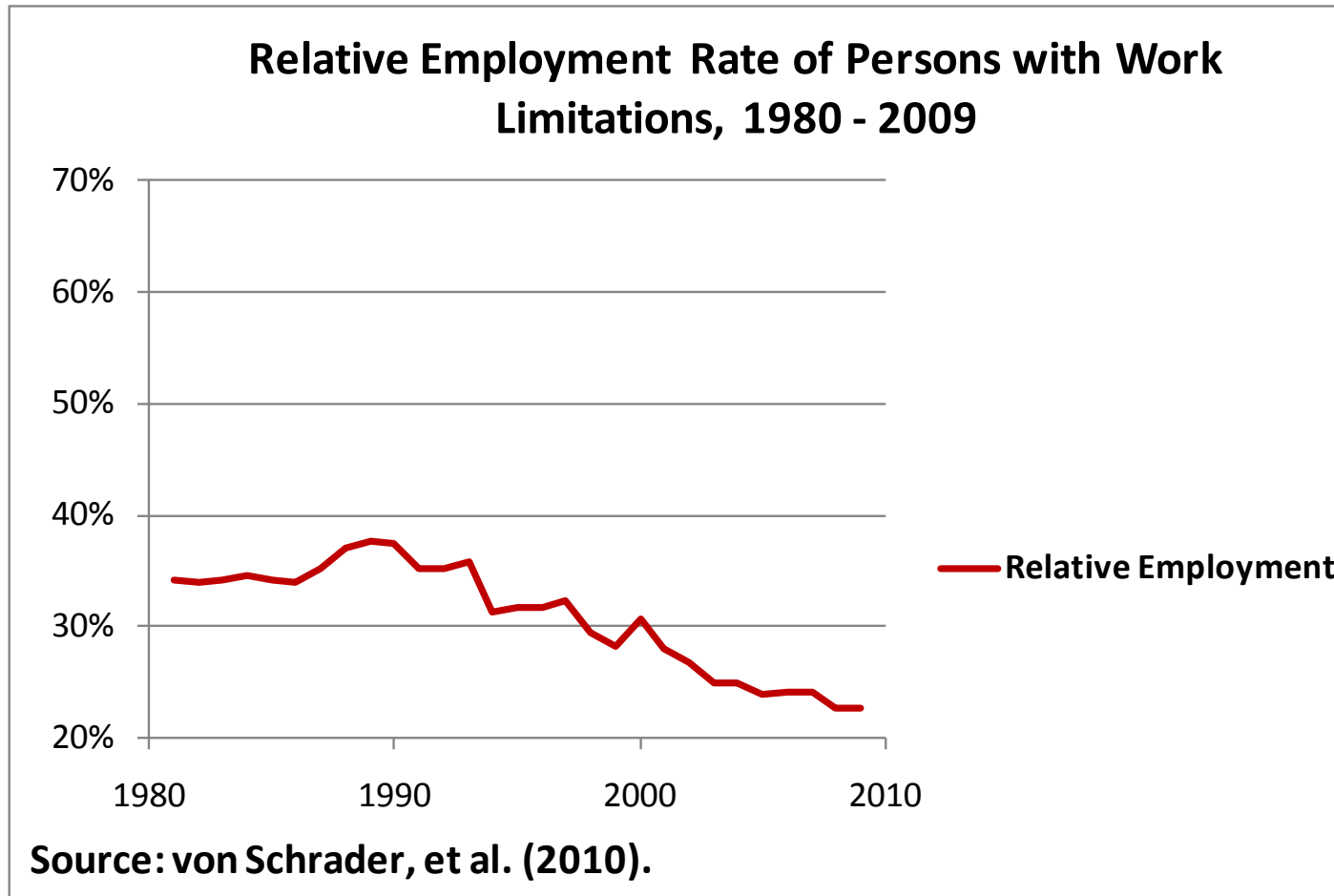
SSDI and Medicare Expenditures for People Under Age 65
Relative to GDP and Federal Outlays, 1970 to 2010



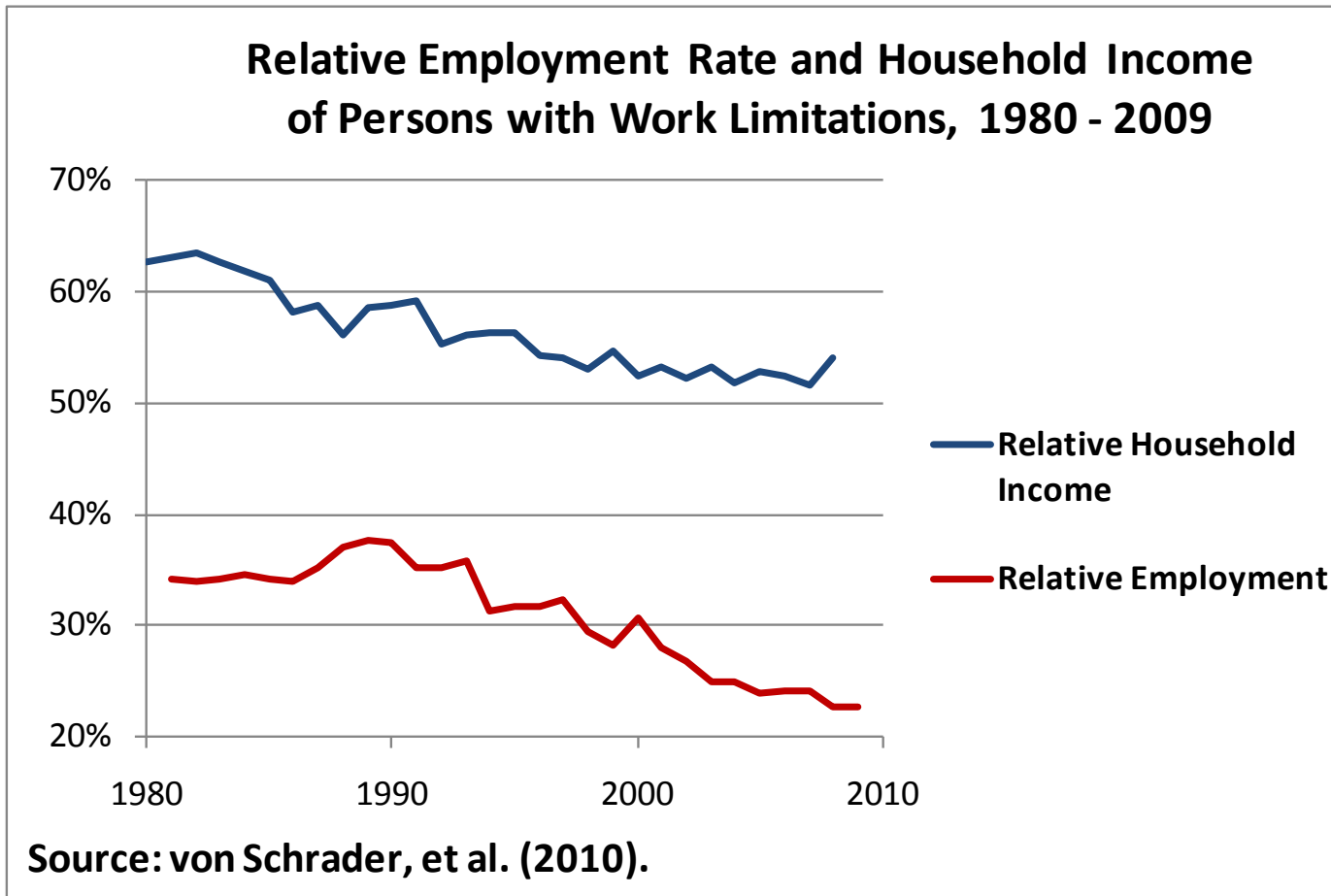
Sources: Published SSA and CMS statistics. Details available on request.



The Underlying Problem: Fewer People with Disabilities Are Working



Relative Decline in Household Income



A Policy Dilemma

- **Policymakers 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?**

Contact Information

David Stapleton
Center for Studying Disability Policy
Mathematica Policy Research
600 Maryland Ave., SW, Suite 550
Washington, DC 20024
(202) 484-4224

dstapleton@mathematica-mpr.com

<http://www.DisabilityPolicyResearch.org>