



**SOCIAL SECURITY**  
Office of the Chief Actuary

April 4, 2016

The Honorable Jim McCrery and The Honorable Earl Pomeroy, Co-chairs  
SSDI Solutions Initiative

Dear Mr. McCrery and Mr. Pomeroy:

I am writing in response to the request for estimates of the financial effects on Social Security of a number of potential proposals that may be considered for addressing financial shortfalls of the Social Security Disability Insurance (DI) program. All estimates provided in the enclosed table are based on the intermediate assumptions of the 2015 Trustees report. We have enjoyed working with Marc Goldwein and Ed Lorenzen and others of the staff of the Committee for a Responsible Federal Budget (CRFB) on these proposals for inclusion in the SSDI Solutions Initiative report. I have also personally enjoyed working with you both as a member of the Advisory Council for this Initiative and as the Chief Actuary during years you were both in Congress on the Ways and Means Committee addressing Social Security issues.

Given the breadth of the proposals addressed in the attached table, we have involved almost every member of our Office of the Chief Actuary in developing the specifications and the estimates for them. Please note that due to having many competing work loads, and the number of proposals included here, many of these estimates represent preliminary estimates that, given more time and careful focus, would be done in more detail with possibly somewhat different results. However, for the purpose of gaining an understanding of the order of magnitude of the effects of these proposals, we believe this table will be useful to you and the readers of the SSDI Solutions Initiative report. While most of our office worked on these proposals, principal contributors include Chris Chaplain, Mary Kemp, Jacqueline Walsh, Dan Nickerson, Michael Clingman, William Jimenez, Kyle Burkhalter, Eli Donkar, and Karen Glenn.

We look forward to response by policymakers and the public to your Initiative report, and to continuing to work with you and others to evolve and strengthen the Social Security program in the future. Please let us know if we can be of assistance in any way.

Sincerely,

Stephen C. Goss  
Chief Actuary

cc: Marc Goldwein and Ed Lorenzen  
Enclosure

**SSDI Reform Options for "SSDI Solutions Initiative"**

**PRELIMINARY Estimates**

*(b) Effect is less than 0.005 percent of payroll.*

All estimates based on intermediate assumptions of 2015 Trustees Report

Change in Actuarial Balance  
(% of taxable payroll)  
DI OASDI

Change in 75th Yr Ann Balance  
(% of taxable payroll)  
DI OASDI

**Proposal**

**Revenue Options**

Proposal	DI	OASDI	DI	OASDI
1 Raise DI Payroll tax by 0.35%, starting 2016	0.33	0.34	0.33	0.34
2 Reallocate 0.35% of payroll tax from OASI to DI, starting 2016	0.35	(b)	0.35	(b)
3 Eliminate Tax Max for DI (1.8%) payroll tax (no additional benefit credit)	0.34	0.34	0.34	0.34
4 Same as 3) with 5% PIA factor for DI bens (new BP at Tax Max)	0.33	0.33	0.33	0.33
5 Eliminate Employer Tax Max for DI (0.9%) payroll tax	0.17	0.17	0.17	0.17
6 Cover All Newly Hired State & Local Workers starting 2016	0.01	0.15	-0.01	-0.16
7 Same as 6), but only for DI (1.8% pyrl tax) and not for OASI tax or benefits	0.01	0.01	-0.01	-0.01
8 Tax cafeteria plan (Sec. 125) deductions as wages	0.03	0.20	0.03	0.12
9 Re-allocate Medicare-dedicated taxation of DI benefits to DI	0.04	0.04	0.05	0.05

**Benefit Offset** — affecting new entitlements only, starting 2016

For all the following variants, TWP and EPE are eliminated; benefits are terminated, provided that earnings >SGA, after 36 consecutive months with average benefits < 20% of full benefits; EXR is available after such termination.

10 Offset \$1 benefit for \$2 earnings above SGA	-0.04	-0.04	-0.04	-0.04
11 Offset \$1 for \$2 of earnings (starts at first dollar of earnings)	(b)	(b)	(b)	(b)
12 Offset \$1 for \$3 starting at 2015 SGA indexed to price inflation	-0.04	-0.04	-0.03	-0.03
13 Offset \$1 for \$3 starting at \$780 indexed to price inflation	-0.03	-0.03	-0.03	-0.03
14 Offset \$1 benefit for \$3 earnings above SGA	-0.06	-0.06	-0.06	-0.06
15 Offset \$1 for \$3 of earnings (starts at first dollar of earnings)	-0.01	-0.01	-0.01	-0.01
16 Offset \$1 for \$3 earnings <i>below</i> SGA, and \$1 for \$2 earnings above SGA	-0.01	-0.01	-0.01	-0.01

**Eligibility**

17 Only count "quarters of coverage" with above-SGA earnings (3x SGA) toward eligibility determinations for disabled worker benefits (both fully insured and recency tests)	0.13	0.13	0.14	0.14
18 Change recency of work requirement to 5 of the last 8 years	0.12	0.12	0.13	0.13
19 Change recency of work requirement to 4 of the last 6 years	0.16	0.16	0.17	0.17
20 Increase waiting period from 5 to 6 months	0.02	0.02	0.02	0.02
21 Increase waiting period from 5 to 12 months	0.13	0.13	0.14	0.14
22 Change SGA (for initial determination and continued eligibility) to the lesser of current law amount or individual's AIME.	0.01	0.01	0.01	0.01

**Determination**

23 Increase ages in vocational grids by 1 year immediately, another year as NRA increases from 66 to 67, then index to life expectancy at age 65 by one month for every month life expectancy goes up after that	0.01	0.01	0.02	0.02
24a Require that any evidence the claimant wants considered at ALJ hearing be submitted 5 days before hearing; good-cause exception to be interpreted narrowly; evidentiary record established at the time of the initial ALJ determination remains closed through rest of appellate process	0.01	0.01	0.01	0.01
24b Require that any evidence the claimant wants considered at ALJ hearing be submitted 5 days before hearing	(b)	(b)	(b)	(b)
25 Require Government Representative at ALJ Hearings~~ (Not adversarial)	(b)	(b)	(b)	(b)
26 Eliminate "reconsideration" step in all states	-0.02	-0.02	-0.02	-0.02
27 Require prototype states to restore "reconsideration" step	0.01	0.01	0.01	0.01
28 Limit DI retroactivity to 6 months; make retroactive payments in next regular monthly benefit payment	0.02	0.02	0.02	0.02
29 Eliminate controlling weight for treating physicians	0.02	0.02	0.02	0.02

**Interactions w/ Other Programs**

30 Consider receipt of any UI payment to constitute SGA for DI Benefits (H.R.1502)	0.01	0.01	0.01	0.01
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**SSDI Reform Options for "SSDI Solutions Initiative"**

**PRELIMINARY Estimates**

*(b) Effect is less than 0.005 percent of payroll.*

*All estimates based on intermediate assumptions of 2015 Trustees Report*

Proposal	Change in Actuarial Balance (% of taxable payroll)		Change in 75th Yr Ann Balance (% of taxable payroll)	
	DI	OASDI	DI	OASDI
31 Suspend DI benefit for any month in which a UI payment is received (S. 1099)	0.01	0.01	0.01	0.01
32 Offset DI benefits \$1 for each \$1 of UI payment (POTUS FY16 Budget)	0.01	0.01	0.01	0.01
33 Replace workers compensation offset with simplified offset, that is, at uniform one third reduction in combined workers' comp/DI benefits. Cap offset at total WC/PDB benefit and end offset after 60 months.	0.01	0.01	0.01	0.01
34 Reduce veterans' DI benefits by 1/3 of the total disability benefits they would otherwise receive from DI, VA, and DOD combined, except that the DI benefit is not to be reduced below zero, and the reduction is not to exceed the combined disability benefits from VA and DOD; end the offset after 60 months.	0.03	0.03	0.03	0.03
35 Offset SSDI benefits \$1 for each \$1 of disability compensation from the Veterans Administration.	0.09	0.09	0.09	0.09

**Relationship between DI and NRA; Reductions to DI benefits are retained after conversion to retirement benefits**

36 Pay DI benefits with reduced percent of PIA as for worker retiring at EEA+4 years (age 66) after NRA increases above 66.	0.11	0.18	0.12	0.19
37 Same as 36), but reduce as for worker retiring at EEA+3 (equivalent to age 65)	0.20	0.32	0.21	0.34
38 No new DI benefit entitlement age 62 or above; gradually reduce initial DI benefits to EEA levels for applications between age 53 and 62, but continue conversion to retirement benefit at NRA	0.08	0.13	0.09	0.14
39 Same as 38 but with conversion to retirement benefit at EEA	0.45	0.13	0.47	0.14
40 Eliminate DI COLAs between the EEA and NRA, not allowing benefits to go below EEA retirement levels	0.06	0.26	0.06	0.28
41 Reduce DI COLAs between the EEA and NRA to CPI increase -1% (but not less than 0%), not allowing benefits to go below EEA retirement levels	0.02	0.10	0.02	0.10
42 Offer applications between EEA and NRA a hybrid benefit proportionally based on the month they become eligible. For example, assume the NRA is 66, leaving 48 months between the EEA and NRA. Someone becoming eligible at age 62 and 0 months would receive 47/48 of their benefit from the DI trust fund at DI levels, and 1/48 from the old-age trust fund at actuarial reduced old age levels.	0.01	0.02	0.01	0.02
43 Same as 42), assuming relationship between EEA and NRA is frozen at EEA+4 years	0.01	0.02	0.01	0.02

**Program Integrity**

44 Provide mandatory funding to perform CDRs. Replace discretionary CDR/re-determinations cap adjustments w/ mandatory funding paid out of general revenue and set at current levels, indexed to total SSDI benefit cost; appropriate an additional \$5 billion to clear the CDR backlogs by 2020.	(b)	(b)	(b)	(b)
45 Reform CDR process. Clarify CDR rules to allow the agency to remove claimants who were wrongfully awarded benefits even without medical improvement, establish CDR waiver office with training and reviews as per SSAB recommendations, allow the risk-based CDR approach to take into account benefits awarded by red flag ALJs, require that CDRs incorporate a review of social media accounts, and require SSA to increase work-related CDRs.	(b)	(b)	(b)	(b)
46 Enact above two CDR changes together	(b)	(b)	(b)	(b)
47 Make civil monetary penalties mandatory and increase fines~	(b)	(b)	(b)	(b)
48 Expand CDIs to all 50 states**	(b)	(b)	(b)	(b)
49 Enact various anti-fraud measures. Require all evidence (favorable and unfavorable) to be submitted, with violation subject to civil and/or criminal penalties. (^)	(b)	(b)	(b)	(b)
50 Enact above three sets of anti-fraud changes together	(b)	(b)	(b)	(b)
51 Enact all CDR, fraud, and other program integrity changes above	(b)	(b)	(b)	(b)

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Proposal	Change in Actuarial Balance (% of taxable payroll)		Change in 75th Yr Ann Balance (% of taxable payroll)	
	DI	OASDI	DI	OASDI
52 Provide adequate funding to perform all scheduled medical CDRs on a timely basis (Trustees baseline assumes Title II medical CDRs current by end of 2016)	(b)	(b)	(b)	(b)
<b>Benefit Increases -- all effective 2016</b>				
53 Eliminate waiting period	-0.09	-0.09	-0.10	-0.10
54 Reduce waiting period from 5 months to 2 month	-0.06	-0.06	-0.06	-0.06
55 Reduce recency of work requirement to 4 of the last 10 years	-0.10	-0.10	-0.10	-0.10
56 Round up drop-out year determination (ie a 6 year lapse yields 2 drop-out years instead of 1, an 11 year lapse yields 3 drop-out years instead of 2, etc)	(b)	(b)	(b)	(b)
57 Allow SSDI beneficiaries to enroll in Medicare as soon as they are ruled SSDI-eligible (but not retroactively)	-0.02	-0.02	-0.02	-0.02
58 Establish min. benefit at poverty line for all SSDI beneficiaries (CPI index poverty level after initial eligibility date) regardless of years worked/earnings levels. Would continue through conversion.	-0.03	-0.03	(b)	(b)
59 Establish min. benefit at poverty line for all SSDI beneficiaries (wage index poverty level after initial eligibility date) regardless of years worked/earnings levels. Would continue through conversion.	-0.07	-0.07	-0.07	-0.07
60 Eliminate DI (1.8%) payroll tax for disabled worker beneficiaries with earnings, and for 5 years after termination of DI benefits	-0.01	-0.01	-0.01	-0.01
<b>Additional Options</b>				
61 Eliminate reverse offset for workers' comp and replace with the standard offset offset.	(b)	(b)	(b)	(b)
62 Close WC offset loopholes by establishing an actuarially neutral offset for "lump sum" WC benefits, applying the offset to "salary continuation payments," and applying the offset to those below age 67 who switch from the SSDI program to the old age program.	0.01	0.01	0.01	0.01
63 Modify vocational grid guidelines: Apply current-law age 45-49 requirements to 47-51, 50-54 reqs to 52-56, 55 and over reqs to 57 up to NRA. No grid for ages 45-46.	0.01	0.01	0.01	0.01
64 Increase vocational grid ages as suggested by Sen Coburn (OCACT 7/18/2011 memo): increase 50-54 category to 58-60, 55 and over category to 61 - EEA.	0.04	0.04	0.05	0.05
65 Require claimant reps to submit all evidence both favorable and unfavorable, with penalties for non-compliance	(b)	(b)	(b)	(b)
66 Fill ALJ vacancies with AJs (administrative judges)	(b)	(b)	(b)	(b)
67 Disallow SSDI applications from individuals who have reached the NRA	(b)	(b)	(b)	(b)
68 Disallow simultaneous DI and OASI applications to individuals above age 62½; in particular, disallow individuals who have received retirement benefits from subsequently receiving disability benefits, and eliminate the present-law benefit increase that occurs at FRA based on months in which a beneficiary elected to receive retirement benefits rather than disability benefits.	0.01	(b)	0.02	(b)
69 Provide retroactive benefits at 50% of full benefit for months of entitlement before application; at 100% of full benefit for months between application and award	0.02	0.02	0.02	0.02
70 Time limit benefits to 2 years for beneficiaries with medical improvement expected (MIE); reapplication required if disability continues	0.01	0.01	0.01	0.01
71 Allow disabled individuals at age 60 to waive the "recency of work" requirement in exchange for accepting an EEA-level benefit if awarded	-0.01	-0.01	-0.01	-0.01
72 Require private disability insurers to rebate 10% of their DI benefit offset to the DI trust fund, for all policyholders whose disability begins under a policy issued or renewed after enactment of this proposal	0.02	0.02	0.02	0.02

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	DI	OASDI	DI	OASDI
73a Reform ALJ process: Require that any evidence the claimant wants considered at ALJ hearing be submitted 5 days before hearing (good-cause exception to be interpreted narrowly); evidentiary record established at time of initial ALJ determination remains closed through rest of appellate process; require claimant reps to submit all evidence incl. unfavorable (penalty for non-compliance); end reimbursements for attorney travel; fill ALJ vacancies with AJs	0.01	0.01	0.01	0.01
73b Reform ALJ process: Require that any evidence the claimant wants considered at ALJ hearing be submitted 5 days before hearing; require claimant reps to submit all evidence incl. unfavorable (penalty for non-compliance); end reimbursements for attorney travel; fill ALJ vacancies with AJs	(b)	(b)	(b)	(b)
74 CCD benefit offset: \$1 for \$2 earnings over TWP trigger, no TWP, no EPE, no termination for work; for those newly eligible 2017 and later. ( <a href="http://www.c-c-d.org/fichiers/CCD_Final_Benefit_Offset_Proposal.pdf">http://www.c-c-d.org/fichiers/CCD_Final_Benefit_Offset_Proposal.pdf</a> )	-0.04	-0.04	-0.04	-0.04

~Adjust all civil monetary penalty maximums for inflation by increasing them w/ price growth from the last time each was adjusted and indexing them annually going forward; create a new specific felony for conspiracy to commit Social Security fraud, punishable by up to 5 years in prison, fines generally up to \$250,000, or both; Increases the maximum Civil Monetary Penalty (CMP) that the SSA can levy against individuals in a position of trust from \$5,000 to \$7,500 for each false statement, representation, conversion, or omission the individual makes or causes to be made and increase the maximum felony penalty from 5 to 10 years; Establishes a new CMP, up to \$7,500, for claimant representatives who knowingly charge or collect from claimants fees in excess of allowable amounts. Representatives who do so are also subject to an assessment of up to twice the amount of benefits received.

\*\*Require the IG to increase number of CDI units to 54 (one in each state and territory) by 2016, provide mandatory CDI funding of \$50 million in 2016 and index to benefit costs.

^^Enact Section 102, 103, and Title II of the "Stop Disability Fraud Act" ([http://waysandmeans.house.gov/uploadedfiles/stop\\_disability\\_fraud\\_act\\_of\\_2014\\_provisions.pdf](http://waysandmeans.house.gov/uploadedfiles/stop_disability_fraud_act_of_2014_provisions.pdf)). Clarify in the Social Security Act that all evidence that is relevant to a determination of whether or not a claimant is disabled must be submitted to an ALJ, whether unfavorable or favorable. Require claimant and/or representative to certify prior to hearing that all known relevant medical evidence has been submitted to the ALJ. Make clear that any violation of this provision is subject to the civil (fine and assessment of benefits) and criminal (up to 5 years imprisonment) penalties prescribed in the Social Security Act, 42 U.S.C. §§ 1320a-8 and 408 for omission of material facts. Further clarify the Social Security Act to clearly include loss of privilege to practice before SSA for claimant representatives found to have violated this provision. Permit ALJs to request SVTs and institute training for reading, interpreting and applying the test results.

~~Create staff attorney positions that will immediately be assigned case files from DDS appeals and can fast-track worthy cases, gather evidence, communicate with claimants or their representatives, ensure that case files are complete before hearing and request continuances of the hearing date, if necessary. The staff attorney will also appear in the hearing on behalf of the government and be permitted to cross-examine the witnesses. To avoid higher costs, also revise the representative payment rules to make clear that the hearing before an ALJ is not subject to the Equal Access to Justice Act, which prescribes higher fees for a victorious representative in an adversarial setting such as federal court.