



SOCIAL SECURITY

Office of the Chief Actuary

January 7, 2014

The Honorable Sam Johnson
Chairman, Subcommittee on Social Security
House of Representatives
Washington, D.C. 20515

Dear Mr. Johnson:

I am writing in response to your request for estimates of the financial effects on Social Security of H.R. 1502, the “Social Security Disability Insurance and Unemployment Benefits Double Dip Elimination Act”, as introduced on April 11, 2013. This Bill would treat any month in which an individual receives unemployment insurance payments as a month in which the individual had engaged in substantial gainful activity for the purpose of Social Security benefit eligibility. The estimates and analysis provided in this letter reflect our careful analysis of this Bill, with invaluable assistance from Kim Hildred of your staff. The estimates provided here have been greatly enhanced through the cooperation and assistance from the Office of Child Support Enforcement at the Department of Health and Human Services in allowing us to access certain data in the National Directory of New Hires (NDNH). Mary Kemp and Bert Kestenbaum of the Office of the Chief Actuary have worked diligently and creatively in modeling the implications of the Bill using these data.

We estimate that enactment of this Bill would reduce Disability Insurance (DI) benefit payments by \$8.0 billion in total for years 2014 through 2023, if it were effective for months after December 2013, as intended. Expected benefit reductions through 2023 would be somewhat lower with enactment and effective date later than intended in this Bill. For the long-range actuarial status of the overall OASDI program, we estimate that enactment of the Bill would reduce the actuarial deficit by about 0.01 percent of taxable payroll. All estimates are based on the intermediate assumptions of the 2013 Trustees Report.

H.R. 1502 would not allow any month in which an unemployment insurance (UI) payment is received to be used as a month for the 5-month waiting period for DI benefits. Generally, the onset of disability would not be deemed to occur until after UI payments have ceased, regardless of medical condition or actual earnings. Where UI payments commence after awarded DI benefits have commenced, any month of UI payment receipt would be deemed either a trial-work month or a month of substantial gainful activity if the beneficiary has exhausted the trial work period.

Because UI payments are often less for a month than DI benefits, we estimate that some individuals will forgo potential UI payments in order to maintain receipt of DI benefits. Based

on our modeling, we estimate that national UI payments would be reduced in years 2014 through 2023 by a total of \$2.3 billion assuming implementation of the Bill for months after December 2013, as intended. The expected reduction in UI payments would be less over this period assuming implementation starts with a later date.

The upper panel of the enclosed table provides our estimate of the numbers of individuals who would be expected to be in receipt of a UI payment and either in their 5-month DI waiting period, or entitled to DI benefits, under current law, expressed as percent of those entitled to DI disabled worker benefits under current law. We additionally show the estimated average monthly numbers of individuals forgoing DI disabled worker benefits or UI payments, as percent of entitled disabled-worker beneficiaries, assuming enactment of the Bill.

The lower panel of the enclosed table provides our estimates of the cost of the DI program under current law and of the amounts of change in DI benefits and in UI payments for years 2014 through 2023, assuming implementation of the Bill for months after December 2013.

Due to the nature of the data we were able to receive from HHS and the limited time period that these data cover, there is a substantial degree of uncertainty associated with these estimates. In particular the estimates are sensitive to the assumed future rates of unemployment, to our estimates of the numbers of individuals starting UI payments, and to the duration of receipt.

We hope these estimates will be helpful. Please let me know if we may provide further assistance.

Sincerely,

A handwritten signature in cursive script that reads "Stephen C. Goss".

Stephen C. Goss
Chief Actuary

Enclosure

**Estimated Change in Disability Insurance and Unemployment Insurance Cost Under H.R. 1502:
For Any Month After December 31, 2013, Receipt of UI Constitutes TWP “Services” and SGA**

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2014-23
<i>Average Monthly Number as Percent of Disabled Workers Currently Entitled</i>											
Present Law UI in DI Wait Period	0.32%	0.31%	0.31%	0.30%	0.29%	0.29%	0.28%	0.28%	0.28%	0.28%	
Present Law DI Entitled & UI	0.39%	0.39%	0.38%	0.37%	0.37%	0.36%	0.35%	0.35%	0.35%	0.35%	
Forgo DI under proposal	0.22%	0.41%	0.52%	0.51%	0.50%	0.49%	0.48%	0.47%	0.47%	0.47%	
Forgo UI under proposal	0.17%	0.21%	0.21%	0.21%	0.20%	0.20%	0.20%	0.19%	0.19%	0.19%	

	<i>Billions of Current Dollars</i>										
Present Law DI Benefit Cost	\$146.6	\$151.5	\$156.8	\$162.4	\$168.3	\$174.8	\$181.7	\$190.6	\$200.0	\$210.0	\$1,742.7
Change in DI Cost	-\$0.3	-\$0.6	-\$0.8	-\$0.8	-\$0.8	-\$0.9	-\$0.9	-\$0.9	-\$0.9	-\$1.0	-\$8.0
Change in UI Cost	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.2	-\$0.3	-\$0.3	-\$2.3

Note: Reduction in DI benefits would result in a small reduction in taxes paid on benefits.

Based on Intermediate Assumptions of the 2013 Trustees Report

Office of the Chief Actuary, Social Security Administration
January 7, 2014