Republican Efforts To Cut Social Security Benefits Pit Disabled Americans Against Senior Citizens

February 10, 2015

Report on Republican Attempts to Manufacture a Crisis in Social Security
A Report by Budget Committee Ranking Member Bernard Sanders

Executive Summary

For several years now, some Republicans have looked for opportunities to undermine the Social Security program. Either by complaining that it is unsustainable, that it is too generous or as in the case now, that there isn't enough money to go around between seniors and the disabled.

This is patently untrue.

In fact, Social Security has a $2.8 trillion surplus in its trust fund and can pay out all benefits to all beneficiaries for the next 18 years. This is the assessment of the Social Security Administration. There is no debate about it and any attempt to argue otherwise is simply an effort to mislead and confuse.

What is also clear is that periodically over the years, the U.S. government has acted to rebalance funds between the Social Security retirement programs and the Social Security Disability program. Those reallocations are neither controversial nor unusual. They are a technical accounting decision that until this year had never been turned into a partisan issue.

Those reallocations have been used since 1968 when President Lyndon B. Johnson acted, again in the 1980s under President Ronald Reagan and most recently by President Bill Clinton. In other words, leaders from both parties approved reallocations and they did it when Congress was controlled by either Republicans or Democrats. In every case, reallocations happened without creating a wave.

This year is different.

On the very first day of the new Congress, House Republicans passed a rule, later adopted by the full House, which would prevent the common practice of rebalancing funds. What this does is lay the groundwork for a 19% cut in disability benefits.

That's a horribly devastating cut for individuals – most of whom are in their 50's and in poor health – to absorb beginning next year. In fact, since most disability recipients receive barely $1,200 a month, a cut of nearly 20 percent could mean the difference between affording food, medicine, clothing or paying bills. It is an unspeakable option and one that we are determined to prevent.

Earlier this month, President Obama suggested a budget that would do exactly what has been done 11 times in the past and that is to rebalance funds between the two programs. The response by the House to block that is merely an attempt to manufacture a crisis where none exists.

What is really happening here is a cynical attempt to divide the senior population from the disability community. And, in the process, they are making untruthful and unfair statements about the Social Security trust funds by insisting that reallocating money into the disability fund takes money away from the retirement fund. Nothing could be further from the truth.

It's worth pointing out just how broad the support is for reallocating these funds. Recently, Joyce Rogers, Senior Vice President for the American Association of Retired People, which is the largest senior group in America, weighed in on this issue. Here is what she said:

"As the largest nonprofit, nonpartisan organization representing the interests of Americans aged 50 and older and their families, we write…to express our support for Social Security, including its Disability insurance functions, and our support of rebalancing payroll taxes to ensure the earned benefits of 11 million disabled Americans and their families are not reduced or put at risk."

AARP isn't the only group opposing Republican efforts to cut benefits. The Leadership Council of Aging Organizations, which represents more than 60 million older Americans, also weighed in strongly against the Republicans and their desire to make cuts to the Social Security program.

"We urge you to include a non-controversial, common sense legislative adjustment in your 2016 budget for Congress to temporarily reallocate the Social Security payroll contributions to address the anticipated shortfall in the Social Security Disability Insurance (DI) program. We also strongly urge you to reject proposals to cut Social Security benefits, coverage, or eligibility," wrote Debra Whitman, the chair of the organization.

That letter was signed by everyone from the National Committee to Preserve Social Security and Medicare and the Alliance for Retired Americans to the National Association of Area Agencies on Aging, and many other national organizations.

Those who favor privatizing Social Security by turning it over to Wall Street are the same people who are trying to block the reallocation, and will often throw out so-called 'solutions' for 'saving' Social Security. Their ideas range from cutting social security benefits or the so-called chained CPI or even raising the retirement age. These are terrible ideas that have been discredited everywhere and are extremely unpopular with the American people.

Instead, what our research has shown is that most Americans would support changing the cap on the income that applies to the 6.2% Social Security payroll tax. Right now that cap is $118,500. In other words one individual makes $11.8 million a year but only pays tax on the first $118,500 he earns. The second individual makes $118,500 and pays Social Security taxes on all of that income. That is patently unfair.

If we apply the Social Security payroll tax to income above $250,000, we could immediately bring in enough revenue to the Social Security trust fund to extend it for decades and also be able to increase benefits. The Social Security Actuary says that taking that approach would extend the life of Social Security past the year 2060. And this entire manufactured crisis would go away.

Introduction

The Social Security Disability Insurance (SSDI) program is a critical component of America's social safety net by paying modest but vital cash benefits to insured workers who meet strict definitions of disability, and to some of their dependents. According to the Social Security Administration (SSA), 9 million disabled workers and 1.8 million children of disabled workers received SSDI payments. The typical beneficiary has been in the workforce for decades, is in their late 50s to early 60s, with limited education, and suffers from a severe mental or physical impairment that prevents them from working. As beneficiaries must be unable to perform substantial work, SSDI benefits are the main source of income for 80 percent of beneficiaries and the only source of income for a third. In an open letter, eight former Commissioners of the SSA, including three who served under Republican administrations, said that without SSDI, "the alternatives for many beneficiaries are simply unthinkable."

SSDI is especially critical for veterans, who at over 1 million beneficiaries in 2010, made up 12% of the SSDI population. Virtually all veterans who received these benefits earned them just like the rest of the population. SSDI benefits constituted at least 75% of personal income for nearly half of the veterans receiving them.

Over 150 million workers qualify for SSDI through payroll taxes. Opponents of disability insurance like to claim that the program is a handout; this is false as SSDI is an earned benefit that workers pay for to protect themselves from long-term medical impairment and to lessen the economic hardship. Workers and employers each pay 0.9 percent of their earnings, up to a cap of $118,500, into the SSDI trust fund.

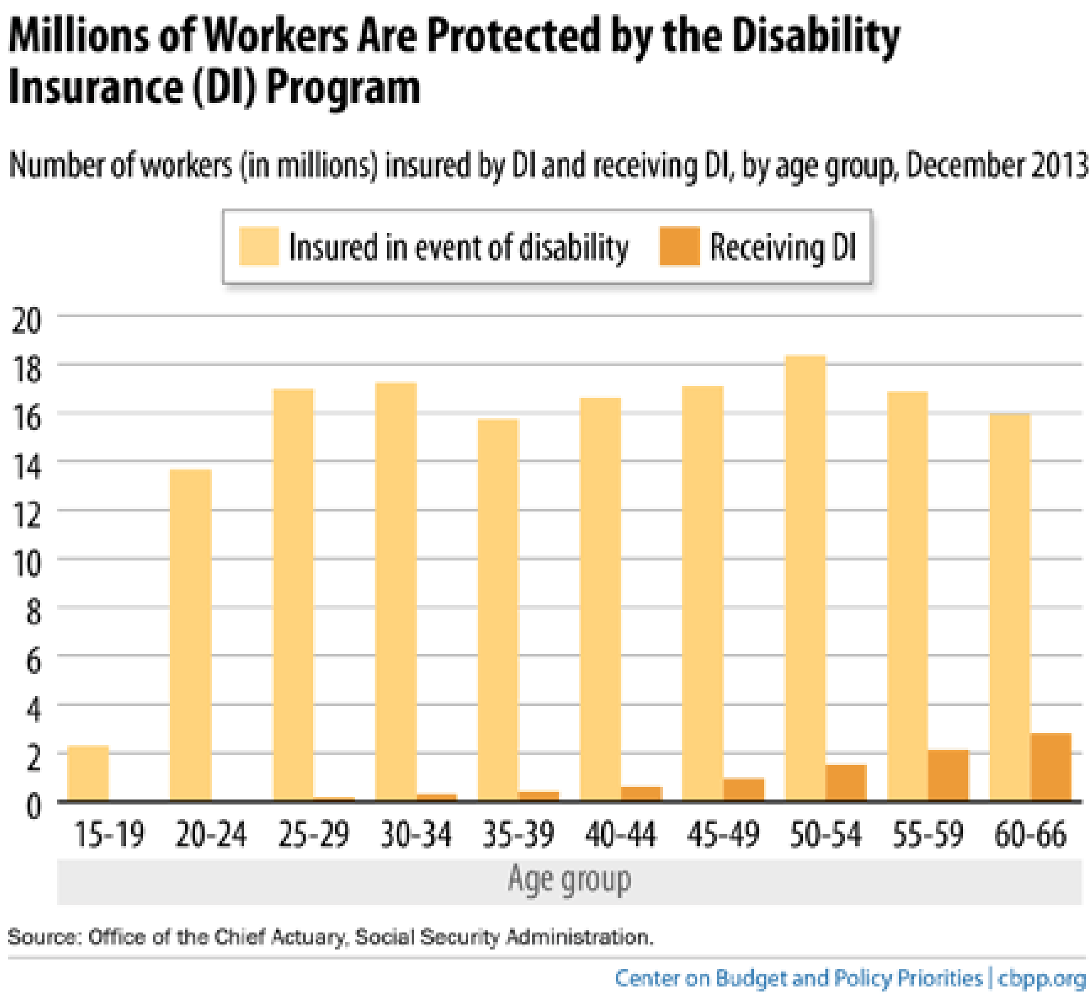
Under current law, the SSDI trust fund is estimated to be exhausted at some point in 2016, an event that was originally projected by the Social Security Trustees in 1995. Rising income inequality and long understood demographics explains this shortfall. The last time Social Security was reformed in 1983, the earnings cap was set to cover 90% of covered earnings. However, the country moved away from its historical pattern of broadly sharing economic gains, and today, because most of the economic gains have gone to the wealthy, the earnings cap only covers 83% of all earnings. As most beneficiaries are in their 50s and 60s, the aging of the Baby Boomers has put pressure on the trust fund. A worker at age 50 is twice as likely to become disabled as they are at age 40, and again twice as likely at age 60 than at 50.

If Congress does nothing, and allows the SSDI trust fund to be exhausted, nearly 11 million Americans will face nearly a 20 percent cut in their Social Security benefits, throwing millions into poverty. In the past, Congress has responded by rebalancing payroll taxes between the SSDI trust fund and the Old Age and Survivors Insurance (OASI) fund. Since 1968, Congress has reallocated funds from OASI to SSDI six times and from SSDI to OASI five times. These bipartisan adjustments have happened under Democratic presidents and Congresses, and Republican presidents and congresses.

But we face a looming crisis today because the House Republicans enacted a new rule to make this routine reallocation of funds more difficult, putting disabled Americans at an increased risk of having their insurance benefits slashed. As a result, they are holding some of our most vulnerable Americans hostage in a political game.

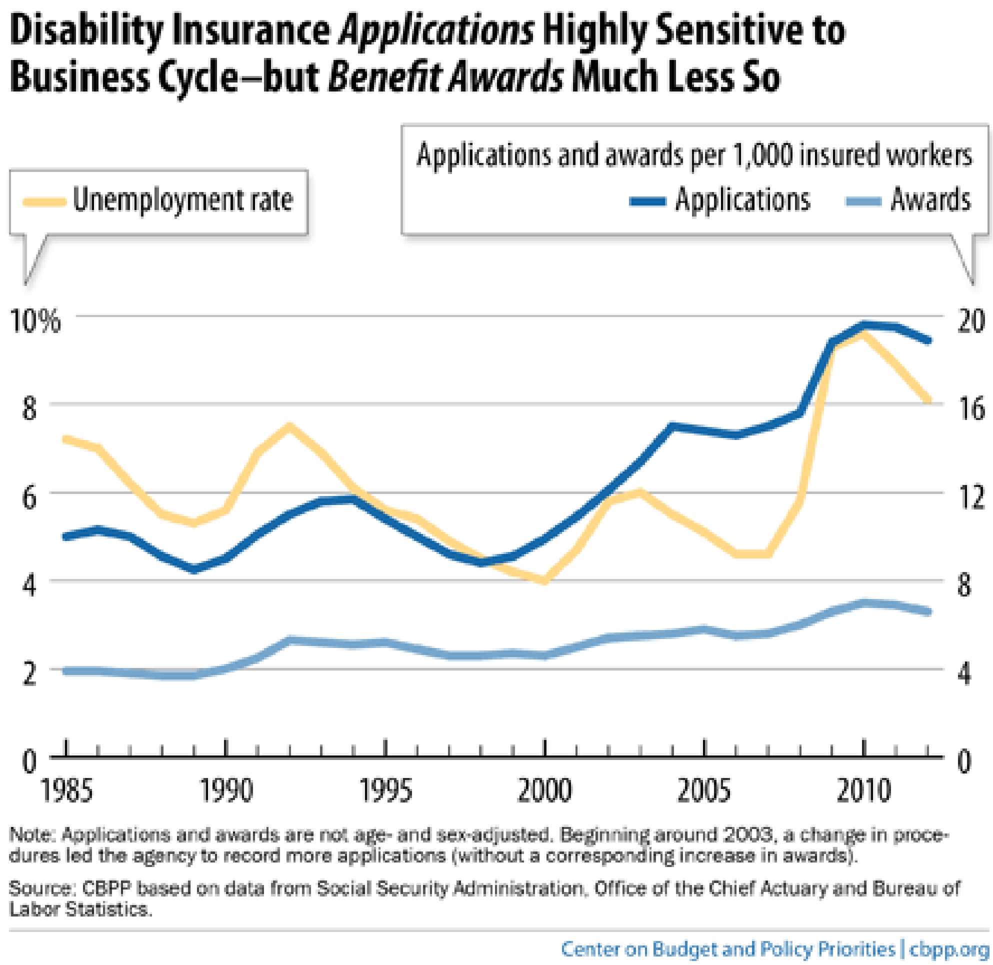
Eligibility

Eligibility for SSDI is extremely strict, and nearly 60% of applicants in the last decade were denied. Applicants must be insured for benefits, which requires the individual to work and pay payroll taxes for at least a quarter of their adult lives and for at least five of the previous ten years immediately before the onset of the disability. SSA estimated that in 2014, 151,092,000 American workers were insured for SSDI.



Applicants must be suffering from a severe, medically determined physical or mental impairment which will either result in death or be expected to last for at least the upcoming 12 months. Many beneficiaries actually have multiple serious health conditions. Due to these severe impairments, the death rates of beneficiaries are three to six times the average for their age group, with many dying with a few years of qualifying for SSDI.

Finally, applicants must be unable to perform “substantial gainful activity”, which for 2015 is work that generates earnings of at least $1,090 a month for non-blind individuals, and $1,820 for the blind. Applicants must be unable to engage in any kind of substantial work, including work at a lower skill or responsibility level than their previous employment.



While news reports may report that the number of applications for SSDI have dramatically increased, the strict eligibility requirements have kept the actual awarding of benefits mostly stable with little reaction to economic conditions. Instead, growth in beneficiaries is largely the result of well-known demographic factors. The Center on Budget and Policy Priorities last year found “that four-fifths of the program’s total enrollment in 2013 — and over two-thirds of the growth in enrollment since 1980 — stems from five easily quantifiable factors: growth in the overall working-age population, the aging of that population, growth in women’s labor force participation, the rise in Social Security’s full retirement age, and the growth in DI receipt among women eligible for benefits to match men’s rate of receipt.”

Benefits

SSDI benefits are modest but vital to recipients. For December 2014, the average monthly benefit for a disabled worker was $1,165.39/mo. and $349.01/mo. for the child of a disabled worker. This is only slightly above the 2014 federal poverty line for an individual of $972.50/mo. As beneficiaries must be unable to perform substantial work, SSDI benefits are the main source of income for 80 percent of beneficiaries and the only source of income for a third.

Testimonials of Americans who were aided by SSDI

The 11 million Americans who rely on SSDI can be found in every sector of the national workforce, from construction workers to teachers to shift managers to nurses. This section of the report is a sampling of the wide spectrum of people that SSDI helps. Their personal stories will provide an honest perspective into the actual lives of SSDI recipients and reveal how critical SSDI is to helping them live with their disabilities as they try to continue to live as productive a life as possible. The following table from SSA provides state by state data on beneficiaries:

Sheila – South Royalton, VT

Having worked her whole life as a cook and personal care attendant, Sheila is a dedicated and hardworking individual. Before her disabilities prevented her from working, she was the head cook at South Royalton School. After falling multiple times at work, undergoing two major back surgeries, fracturing her left foot, and being medically ordered to stop working, she decided to apply for SSDI. As a wife and mother of a ten-year-old daughter, she and her husband felt they had nowhere else to turn to for support.

After receiving word from SSA, Sheila expressed how incredibly grateful she was that our country provides such support to those in need. Without the assistance from SSDI she knows that her family "would have lost everything."

Lori – Bradford, VT

As her health deteriorated, the 'feeling of dread' continued to grow until it was all encompassing and consumed all of her daily thoughts. Having developed spine issues over many years, her doctors recommended that with her debilitating medical problems she could no longer work.

With the support of SSDI, Lori and her husband have hope instead of fear and despair. When asked what a cut to SSDI would mean for them she said, "It would return us to the helpless situation we faced before the Office of Senator Sanders aided us in getting SSDI. I do not know what I would do without this benefit. The bills would pile up and we would probably have to sell our home."

Bonnie – PA

Bonnie was a health technician and a small business owner. After raising two children on her own, Bonnie began work as a visiting nurse in rural Pennsylvania. But at the age of 51, her leg shattered: Bonnie had an undiagnosed combination of severe osteoporosis and anemia that has caused her to break several bones all at once, on multiple occasions. No longer able to stand or drive a car, she was no longer able to work. After a long wait, during which she drained her savings and IRA, she was finally approved for Social Security Disability Insurance. Bonnie says that the $1,200 check she receives each month keeps her alive.

Christine – MD

Christine lives with Guillain-Barré Syndrome, a crippling disorder that confines her to a wheelchair. Thanks to Social Security Disability Insurance, she is able to live independently, pay her bills, and buy groceries each month. "I am beyond grateful to receive Social Security benefits because it literally helps me live."

Alvesta – Lakeland, FL

After his wife died of a sudden heart attack in 2016, Alvesta was on his own. He had worked at an air filter company for years, but he moved to be closer to family in 2008 and found new work. Alvesta had been a diabetic for 23 years, but he managed his condition by carefully following the doctor's orders. Last year his blood pressure worsened and he suffered a stroke, leaving him no longer able to work. His medical bills soared and became unmanageable. He misses working and wish he didn't need help to get by, but Social Security Disability Insurance is a lifeline for him, and helps him keep up with his bills and basic household expenses.

Cindy and Terry – Auburndale, FL

Cindy and Terry and their family have had a rough year. Cindy, 55, has battled cancer for seven years and Terry, 48, suffers from congestive heart failure and other health problems. Although Cindy was no longer able to work due to her declining health, the family was able to make ends meet on Terry's wages as a delivery truck driver. Then Terry suffered a severe heart attack leaving him unable to work as well. The family is grateful for Cindy's $840 in monthly Social Security Disability Insurance benefits, but it isn't nearly enough to meet the family's household expenses. Terry is currently waiting for Social Security Disability Insurance due to his own illness—but while the family waits, they don't know how they'll stay afloat. The family hopes that if her husband Terry gets approved for SSDI, which could take months, they will be able to regain financial stability.

Table 1.
Number of recipients by state or other area, eligibility category, age, and receipt of OASDI benefits, December 2013

State or area	Total	Category		Age			SSI recipients also receiving OASDI
		Aged	Blind and disabled	Under 18	18–64	65 or older	
All areas	8,363,477	1,157,118	7,206,359	1,321,681	4,934,272	2,107,524	2,770,750
Alabama	176,562	10,048	166,514	29,120	119,089	28,353	63,250
Alaska	12,689	1,832	10,857	1,301	8,246	3,142	4,297
Arizona	118,216	15,331	102,885	21,236	68,952	28,028	37,583
Arkansas	112,741	5,834	106,907	30,289	67,495	14,957	38,239
California	1,304,222	358,906	945,316	119,647	626,357	558,218	494,539
Colorado	72,154	9,085	63,069	9,786	46,413	15,955	23,904
Connecticut	62,537	6,648	55,889	8,924	39,266	14,347	19,385
Delaware	16,697	1,223	15,474	3,709	10,372	2,616	4,911
District of Columbia	26,806	1,932	24,874	4,186	18,150	4,470	6,324
Florida	548,178	122,646	425,532	106,362	264,299	177,517	175,057
Georgia	253,498	24,371	229,127	46,047	156,450	51,001	82,663
Hawaii	25,342	5,855	19,487	1,705	14,929	8,708	8,698
Idaho	30,317	1,800	28,517	5,765	20,613	3,939	10,211
Illinois	278,543	30,205	248,338	43,238	173,206	62,099	74,663
Indiana	127,355	5,476	121,879	25,477	88,273	13,605	38,551
Iowa	50,849	3,140	47,709	8,410	35,388	7,051	18,584
Kansas	49,071	2,956	46,115	9,710	32,565	6,796	16,505
Kentucky	190,721	9,753	180,968	28,875	129,941	31,905	64,906
Louisiana	181,598	12,733	168,865	36,795	112,981	31,822	58,560
Maine	37,428	1,796	35,632	4,270	27,838	5,320	15,342
Maryland	117,605	14,985	102,620	18,922	72,999	25,684	31,575
Massachusetts	188,015	22,049	165,966	24,183	116,928	46,904	56,920
Michigan	277,210	17,808	259,402	43,313	191,756	42,141	84,913
Minnesota	93,748	10,414	83,334	13,917	59,840	19,991	28,115
Mississippi	126,240	9,276	116,964	24,062	78,388	23,790	46,136
Missouri	142,219	7,354	134,865	23,855	99,121	19,243	48,406
Montana	18,673	1,258	17,415	2,607	13,080	2,986	6,885
Nebraska	27,457	2,095	25,362	4,196	18,981	4,280	9,915
Nevada	48,817	11,591	37,226	9,430	26,951	12,436	14,940
New Hampshire	19,507	832	18,675	2,603	14,905	1,999	6,641
New Jersey	180,354	35,237	145,117	26,353	97,792	56,209	56,680
New Mexico	64,300	8,549	55,751	9,604	37,628	17,068	24,540
New York	698,928	129,427	569,501	89,438	368,181	241,309	238,255
North Carolina	234,362	19,050	215,312	43,946	146,804	43,612	82,096
North Dakota	8,350	700	7,650	1,037	5,755	1,558	3,257
Ohio	311,195	14,945	296,250	51,460	217,535	42,200	88,896
Oklahoma	97,616	6,171	91,445	18,193	64,955	14,468	31,845
Oregon	83,264	8,998	74,266	10,748	55,786	16,730	27,188
Pennsylvania	379,194	24,571	354,623	76,358	238,702	64,134	106,193
Rhode Island	33,133	3,281	29,852	4,750	21,375	7,008	11,175
South Carolina	118,384	8,607	109,777	20,743	75,845	21,796	40,914
South Dakota	14,833	1,449	13,384	2,550	9,242	3,041	5,274
Tennessee	183,784	12,243	171,541	25,373	126,405	32,006	64,235
Texas	666,258	105,506	560,752	147,086	346,185	172,987	223,890
Utah	31,093	2,655	28,438	5,557	20,572	4,964	9,243
Vermont	15,741	976	14,765	1,739	11,487	2,515	6,861
Virginia	153,632	18,394	135,238	23,864	95,804	33,964	51,003
Washington	150,239	17,004	133,235	18,347	98,699	33,193	41,608
West Virginia	79,136	2,693	76,443	8,440	58,874	11,822	25,381
Wisconsin	116,715	6,949	109,766	22,763	77,380	16,572	38,849
Wyoming	6,888	334	6,554	1,069	4,953	866	2,550
Outlying area							
Northern Mariana Islands	1,063	147	916	323	541	199	199

SOURCES: Social Security Administration, Master Beneficiary Record and Supplemental Security Record, 100 percent data; and U.S. Postal Service geographic data.

CONTACT: (410) 965-0090 or statistics@ssa.gov.

SSA, 7/14

Financing

Social Security, although often discussed as one program, is financed separately by the DI trust fund and the Old-Age and Survivors Insurance (OASI) trust fund. Workers pay into both funds with payroll taxes on the first $118,500 of income, with SSDI receiving 1.8 percent and OASI receiving 10.6 percent, split between the worker and employer.

Under current law, the SSDI trust fund is estimated to be exhausted at some point in 2016, an event that was originally projected by the Social Security Trustees in 1995.

Rising income inequality and long understood demographics explains this shortfall. With rising inequality, most of our economic gains over the past thirty years have gone to the wealthiest Americans and most of their income is not subject to the Social Security tax. The last time Social Security was reformed in 1983, the earnings cap was set to cover 90% of covered earnings. However, the country moved away from its historical pattern of broadly sharing economic gains, and today, because most of the economic gains have gone to the wealthy, the earnings cap only covers 83% of all earnings. The erosion of the middle class has imperiled this critical safety net that workers have already paid into.

SSDI is legally separate from the OASI program, however, it has commonly been thought of as a combined program with a combined trust fund. In the past, Congress has simply reallocated funds from one trust fund to the other as the need arose. This has occurred 11 times in the past, including three times under President Reagan. Congress has reallocated funds from OASI to SSDI six times and from SSDI to OASI five times. According to SSA, the OASI trust fund is expected to be solvent until 2034. If the trust funds were allowed to borrow from one another, CBO projects both would be solvent until 2033.

Year	President	Congressional Control	Rebalancing Direction
1968	Lyndon Johnson	Democratic	OASI → DI
1970	Richard Nixon	Democratic	OASI → DI
1978	Jimmy Carter	Democratic	OASI → DI
1979	Jimmy Carter	Democratic	DI → OASI
1980	Jimmy Carter	Democratic	DI → OASI
1982	Ronald Reagan	Split	OASI → DI
1983	Ronald Reagan	Split	DI → OASI
1984 - 1987	Ronald Reagan	Split	DI → OASI
1994 - 1996	Bill Clinton	Democratic	OASI → DI
1997 - 1999	Bill Clinton	Republican	DI → OASI
2000	Bill Clinton	Republican	OASI → DI
	Proposed		
2016	Barack Obama	Republican	OASI → DI

Reallocations between SSDI and OASI. Senate Budget Committee analysis, Center on Budget and Policy Priorities, 7/16/14

Testifying before the Senate Finance Committee on July 24, 2014, Stephen Goss, the Chief Actuary for the Social Security Administration, argued that Congress should immediately rebalance financing to avoid sudden cuts to beneficiaries. “Given the immediacy of the need, one option to avoid sudden cuts in DI benefits is to enact a temporary tax-rate reallocation between the OASI and DI Trust Funds. Such reallocations have been enacted numerous times in the past, most recently in 1994 when the DI Trust Fund was just 8 months away from reserve depletion.”

In an open letter, eight former Commissioners of the SSA, including three who served under Republican administrations, said that: “[s]ince Social Security was enacted, Congress has "reallocated" payroll tax revenues across the OASI and DI trust funds – about equally in both directions – some 11 times to account for demographic shifts. In 1994, the last time such reallocation occurred, SSA actuaries projected that similar action would next be required in 2016. They were right on target.”

Virtually every senior organization in America, representing tens of millions of Americans, has made it clear that we must reallocate funds, prevent a cut in disability benefits, and do what has been done time and time and time again under Republican and Democratic Administrations.

Joyce Rogers, the Senior Vice President of the AARP, the largest senior group in America, wrote on July 22, 2014: “As the largest nonprofit, nonpartisan organization representing the interests of Americans aged 50 and older and their families, we write … to express our support for Social Security, including its Disability insurance functions, and our support of rebalancing payroll taxes to ensure the earned benefits of 11 million disabled Americans and their families are not reduced or put at risk.”

The Leadership Council of Aging Organizations (LCAO) wrote on October 9, 2014: “We urge you to include a non-controversial, common sense legislative adjustment in your 2016 budget for Congress to temporarily reallocate the Social Security payroll contributions to address the anticipated shortfall in the Social Security Disability Insurance (DI) program. We also strongly urge you to reject proposals to cut Social Security benefits, coverage, or eligibility.”

The group Strengthen Social Security wrote a letter co-signed by 65 leading labor, medical, education, community service, and economic organizations on November 21, 2014: “A modest, temporary reallocation of part of Social Security’s 6.2% tax rate from the Old-Age and Survivors Insurance (OASI) fund to the DI fund would ensure that both funds are on an equal footing. Congress has reallocated tax rates between the two funds 11 times in the past. About half the time it increased the share going to the OASI fund and about half the time it increased the share for DI. Congress has never failed to act when it was necessary to rebalance the two funds, and it has consistently done so in a bipartisan fashion without controversy. It is time now to do it again.”

Republican Generated Crisis

On the very first day of the new Congress, House Republicans manufactured a crisis for SSDI by passing a rule that would prevent Congress from rebalancing funds between OASI and SSDI through a point of order. This rule, which was approved by the House of Representatives, requires any rebalancing to improve the combined 75-year actuarial balance of both trust funds. Absent a deal, DI beneficiaries would face an immediate 20 percent cut in benefits, creating unnecessary anxiety and pain for vulnerable Americans.

Reallocating between the trust funds, which has been noncontroversial the nearly dozen times it has occurred in recent decades, will have negligible effects on the long term solvency of OASI. By rebalancing the funds, SSDI's solvency will be prolonged by 17 years, from 2016 to 2033, while OASI's depletion date will advance by about a year, from 2034 to 2033.

The Leadership Council of Aging Organizations, representing over 70 non-profit organizations that serve older Americans, strongly rejected this underhanded attempt at pitting seniors against disabled workers in order to justify unnecessary benefit cuts. LCAO said "[w]e reject any efforts to pit older adults against people with disabilities, and recognize that one of the strengths of our Social Security system is that it is universal and comprehensive."

LCAO also correctly pointed out that House Republicans adopted this rule without hearing expert voices. From LCAO's letter, "[w]e are alarmed that the House of Representatives would adopt rules of such importance to the future of Social Security with no public dialogue or opportunities for input from your constituents, and we urge you to reject such an approach in the future."