July 22, 2014

The Honorable Ron Wyden  
Chairman  
Senate Committee on Finance  
United States Senate  
Washington, D.C. 20510

The Honorable Orrin Hatch  
Ranking Member  
Senate Committee on Finance  
United States Senate  
Washington, D.C. 20510

Dear Chairman Wyden and Senator Hatch:

As the largest nonprofit, nonpartisan organization representing the interests of Americans age 50 and older and their families, we write in advance of the Committee's legislative hearing on the Social Security Disability Insurance program (SSDI) 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 recognizes the need to address the overall funding shortfall facing Social Security in the next 20 years, and we stand ready to engage with Congress, our members and other Americans on ways to strengthen Social Security, now and in the future. But, we also recognize that without rebalancing in the near-term, SSDI beneficiaries are at risk of significant benefit cuts. This is of particular concern to older workers who are most likely to rely heavily on SSDI in part because of higher rates of chronic illness and disability at older ages.

Income support in the event of a disability is a critical lifeline for millions of American families. Congress wisely added disability insurance protection to the Social Security system in 1956, under President Eisenhower, and has since then modified and improved the program many times. It should be noted that since the creation of the SSDI program in 1956, the United States workforce has more than doubled from 62 million to over 140 million workers, and women today represent half of the workforce and almost half of the SSDI beneficiaries.

By law, Social Security maintains two trust funds -- the Old-Age and Survivors Insurance (OASI) and the Disability Insurance (DI) trust funds -
and they operate independently. Congress has faced shortfalls in both the OASI and DI trust funds many times in the past. Most recently, in 1994, Congress rebalanced the allocation of Social Security payroll taxes between the OASI trust and the DI trust, estimating the rebalancing would adequately fund SSDI benefits for approximately 20 years. Congress forecast accurately, as the Social Security Trustees estimate that the payroll taxes allocated to the Disability Insurance trust fund will cease being adequate to pay full benefits in late 2016. After that, according to the Social Security Actuaries as of 2013, "[p]rojected revenue from non-interest income specified for the DI program is sufficient to support 80 percent of program cost after trust fund depletion in 2016, increasing slightly to 81% of program cost in 2087." CBO maintains similar projections.

Many experts, including the Congressional Budget Office, have estimated the shortfall is largely due to: 1) general population growth, 2) women's entrance into the labor force and consequent eligibility for SSDI benefits, 3) the increase in the Social Security normal retirement age from 65 to 67, and 4) the aging of the Baby Boom population leading to a higher percentage of older people vulnerable to illness and disability. All of these factors also contribute to other challenges in the SSDI program.

One of the most significant challenges facing the SSDI program is the unacceptably long delay in processing applications of disabled workers who have earned the right to their benefits. A large and growing backlog both at the initial claims and appeals level has caused lengthy delays and imposes severe hardships on disabled workers and their families. AARP has long urged an increase in funding to meet the increase in the administrative workload. We also recognize that the SSDI program needs greater program integrity efforts both over initial eligibility approvals and continuing disability reviews. AARP has been among the staunchest advocates requesting program integrity funding; we regret that in recent years this funding has been cut, reducing the Social Security Administration's ability to maximize integrity efforts.

The Committee’s upcoming hearing is a welcome opportunity to examine the resources that will be needed to ensure the continuing success of the SSDI program. We believe SSDI program reforms and improvements can be identified that would both improve the fairness of the process for disabled claimants and encourage greater work participation for those who have limited ability to work. We support and will continue to urge that Congress provide adequate resources for the Social Security Administration to conduct timely initial and continuing disability reviews. But, the highest priority in the near term is to ensure that SSDI beneficiaries -- most of whom are older Americans -- are not at risk of a 20% benefit cut in the very near future. To prevent any imminent
reductions in SSDI benefits, we urge you to rebalance the allocation of Social Security payroll taxes between the OASI trust and the DI trust, as Congress has done with success in the past.

Because of SSDI, millions of disabled Americans are able to live their lives with dignity and support their families. We look forward to continuing to work with you and the other members of the Committee to ensure that all aspects of the Social Security program remain strong for future generations of American workers and their families. If you have any questions, please feel free to call me, or have your staff contact Michele Varnhagen on our Government Affairs staff at 202-434-3829.

Sincerely,

Joyce Rogers
Senior Vice President
Government Affairs