Disability Experience, Assumptions, and Projections

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NBER Summer Institute
July 25, 2018
Solvency of the DI Trust Fund
Reserve depletion in 2032; 2008 recession offset “new economy”; cycles still happen
DI Cost as Percent of GDP Has Peaked, but Scheduled Income Is Too Low

Note:
Recession raised DI Cost/GDP by 15% for 2010

Baby Boomers reach ages 25-44 in 1990

Baby Boomers reach ages 45-64 in 2010

Tax-Rate Reallocation
187% Increase in Disabled Worker Beneficiaries
How much is due to changes in population size, NRA, age distribution, recession, more women insured and filing?

![Bar Chart: DI Disabled Worker Beneficiaries: from 2010 to 1980, in thousands]

- 187 percent above 1980
- Age 20-64 pop increases 41%
- Age distribution increases 38%
- NRA 66%
- Di Insured 21%
- 2010 recession 5%
- Incidence Rates, etc 12%
Changing Age Distribution Over Last 20 and Next 20 Years Mainly Due to Macro Aging—permanent level shifts
Increased Work by Women Raised Female Insured Rates; Male Rates a Little Lower at Younger Ages
Age-Adjusted Disability Incidence Rates: Male at all-time low; female has caught up to male

New Disabled Worker Awards per 1,000 Exposed (Incidence)

[Graph showing the incidence rates for male and female workers over time, with male rates at all-time low and female rates catching up.]
Most of the Recession Effect is From Less GDP, not More DI Cost
Recent Favorable Disability Experience

- Applications and incidence are at historic low levels
- Numbers of beneficiaries have been declining since 2013
- Prevalence rates have peaked and are dropping
- What about the future?
  - Are declines temporary, or the new state?
  - Possibilities:
    - Economy and jobs—*temporary*
    - Drop in hearings allowance rates—*temporary*?
    - Increased health care (ACA)
    - Field office consolidations
    - Attorney representation
    - Something more fundamental?
Applications for Disability Benefits Continue to Fall

At the peak of the last economic cycle in 2007, applications were low, but increased rapidly in the recession to over 2 million in 2010; in 2016 and 2017, with the economy still below the sustainable full-employment level, applications dropped below the 2007 level.
However, Applications Are Still Dropping in 2018!

Note: All historical and projected series include disabled worker, disabled adult child, and disabled widow(er) receipts. DIBs represent about 94% of total title II DDS receipts.

Current estimate for CY 2018 based on data through mid-June, 2018
Disability Incidence Rate Falls to Historic Lows

DI disabled worker incidence rate rose sharply in the recession, and has declined since the peak in 2010 to extraordinarily low levels for 2016 and 2017.
Disability Incidence Rate Projected to Rise to Ultimate Level by 2027

Sharp increase in the projected disability incidence rate in 2018 and 2019 due in part to the reduction of the ALJ backlog—*Note additional effect on lower average benefit level*
Fewer Disabled Worker Beneficiaries
Fewer now and in near term based on recent applications and incidence rates
Effect of the Economy on DI Incidence—2018 TR

Unemployment rates (%) and incidence rates (per 1,000 exposed)

- Recession
- Recession + SSI (1974)
- 1970-74: Large benefit increases
- 1980 Amendments: PER, CDRs, Lower Family Max, EPE
- SSI Outreach 1990
- 1996 Amendments: DA&A, special CDR funding
- 1984 Amendments: Revised mental listing, medical improvement standard for CDRs, consideration of multiple impairments

Age-sex-adjusted disabled worker incidence rate
Civilian unemployment rate

Calendar year

Disabled Worker Prevalence Rates (all through age 64)

Rates more consistent across years

[Graph showing DI Disabled Worker Prevalence Rates (Under 65 and per 1,000 insured Population) with comparison of Gross and Age-Sex Adjusted to the 2000 Insured Population. The graph includes lines for Male age-sex adjusted rate, Female age-sex adjusted rate, Male gross rate, and Female gross rate.]
Ultimate Incidence Rate Assumptions Will Determine Future Prevalence and Cost

Average Disability Incidence Rates over Prior Periods:
Disabled Worker Awards per 1,000 Exposed