



**CONSORTIUM FOR CITIZENS
WITH DISABILITIES**

Social Security at 75 Years: More Necessary Now Than Ever

**Hearing before the
House Ways and Means Committee
Subcommittee on Social Security
July 15, 2010**

**Testimony of
Ethel Zelenske
Co-Chair, Social Security Task Force
Consortium for Citizens with Disabilities**

ON BEHALF OF:

Bazelon Center for Mental Health Law
Easter Seals
Epilepsy Foundation
National Alliance on Mental Illness
National Council for Community Behavioral Healthcare
National Council on Independent Living
National Disability Rights Network
National Multiple Sclerosis Society
National Organization of Social Security Claimants' Representatives
NISH
Paralyzed Veterans of America
The Arc of the United States
Title II Community AIDS National Network (TIICANN)
United Cerebral Palsy
World Institute on Disability

TESTIMONY OF ETHEL ZELENSKE, CO-CHAIR, SOCIAL SECURITY TASK FORCE, CONSORTIUM FOR CITIZENS WITH DISABILITIES

**HEARING: SOCIAL SECURITY AT 75: MORE NECESSARY NOW THAN EVER
JULY 15, 2010**

HOUSE WAYS AND MEANS SUBCOMMITTEE ON SOCIAL SECURITY

Chairman Pomeroy, Ranking Member Johnson, and Members of the Subcommittee, thank you for this opportunity to testify on the occasion of the 75th anniversary of Social Security.

I am the Director of Government Affairs for the National Organization of Social Security Claimants' Representatives (NOSSCR). I also am a Co-Chair of the Consortium for Citizens with Disabilities (CCD) Social Security Task Force. CCD is a working coalition of national consumer, advocacy, provider, and professional organizations working together with and on behalf of the 54 million children and adults with disabilities and their families living in the United States. The CCD Social Security Task Force focuses on disability policy issues in the Title II disability programs and the Title XVI Supplemental Security Income (SSI) program.

Importance of the Social Security Programs for People with Disabilities

The Social Security Old Age, Survivors, and Disability Insurance programs are vitally important to people with disabilities. Social Security is far more than a retirement program. In fact, more than one-third of all monthly Social Security checks go to more than 20 million people who are not retired. They include:

- Nearly 8 million disabled workers. To qualify they must have a severe disability that is expected to last at least 12 months or result in death.
- More than 1.8 million minor children of disabled workers.
- More than 930,000 disabled adult children. These individuals have a severe disability that began before age 22. They qualify when a parent becomes disabled, retires or dies. They get benefits from different Social Security programs depending on their parent's status.
- Nearly 240,000 disabled widow(er)s.

Social Security benefits are critical to people with disabilities and their families. People can plan for retirement over many years. But disability can affect anyone at any time and often is completely unexpected. Disability-related expenses for individuals and families can be extraordinary and can have a significant impact on the individual's or family's ability to save for the future or the needs of other family members.

Millions of families face disability. Adults with severe disabilities have a very low employment rate. Beginning in 2009, the U. S. Department of Labor Bureau of Labor Statistics has released monthly data on employment status of persons with a disability and with no disability. In June 2010, only 21.7 percent of persons with disabilities age 16 to 64 participated in the labor force, compared to 70.5 percent of persons with no disability. The unemployment rate for people with

disabilities was 14.4 percent, compared to 9.4 percent for persons with no disability.¹ According to a 2004 Harris Survey, only 35 percent of people with disabilities reported working full or part time, compared to 78 percent of those who do not have disabilities.² Disabilities can interfere with the ability to work until normal retirement age and the ability to save for a family's future. Families of workers who become disabled need a guaranteed income.

History of the Social Security Disability Insurance Programs

As discussed below, people with disabilities receive Social Security benefits from all three Title II programs. However, the disability programs have been the cornerstone of economic security for beneficiaries with disabilities for nearly 50 years.

While the original 1935 Social Security Act did not have a disability component, efforts to include a disability program began at that time and culminated twenty years later. On August 1, 1956, President Eisenhower signed into law amendments to the Social Security Act, establishing the Social Security Disability Insurance (SSDI) program and the disability program providing benefits to disabled adult children of retired or deceased workers. Cash benefits were initially provided to disabled workers aged 50 to 64 but in 1960, the "age 50" requirement was eliminated. The 1956 amendments also created the disability trust fund.

Changes over the years have expanded coverage under the Social Security disability programs. In 1958, benefits were established for the dependents of disabled workers and in 1968, benefits for disabled widow(er)s began, starting at age 50.

In 1972, two other significant legislative changes were enacted. First, the Medicare insurance program was extended to disability beneficiaries (after a 24-month waiting period). Also, the Supplemental Security Income (SSI) program was established. As of May 2010, more than 4 million disabled beneficiaries received SSI and more than 1.5 million disabled beneficiaries received both SSI and Title II disability benefits.

Social Security: A Successful Insurance Program

We view Social Security as a very successful insurance program. It insures people against poverty in retirement years, in the event of severe disability during work years, and in the event that a family wage earner dies. People with disabilities and their families receive Social Security benefits from all three Title II programs:

- **Retirement Insurance:** When disabled workers (those receiving Disability Insurance benefits) reach normal retirement age, their benefits convert automatically from disability to retirement insurance. Spouses and disabled adult children (discussed further below) also qualify. Other people with disabilities also get retirement insurance. Although they did not meet the strict rules for disability insurance, their health may have prevented them from working regular hours. As a result, they earned less and had fewer chances to save money. Parents who must stop working to

¹ "Employment Status of the Civilian Noninstitutionalized Population by Sex, Age, and Disability Status, Not Seasonally Adjusted, June 2010, "Bureau of Labor Statistics," <http://www.bls.gov/news.release/empsit.t06.htm>.

² A new survey will be released later this month as part of the 20th anniversary of the Americans with Disabilities Act.

care for their children with disabilities face the same situation of having less income now and a greater need for Social Security retirement benefits in the future.

- **Survivors Insurance:** Individuals who qualify include minor children and spouses of workers and retirees who have died; disabled widow(er)s; and disabled adult children. For a young family, Social Security provides benefits that are equivalent to life insurance worth \$476,000.

- **Disability Insurance:** Individuals who qualify include disabled workers, their children and spouses, and their disabled adult children. About 3 in 10 men and 1 in 4 women become disabled before retiring. For a young worker with a spouse and two children, Social Security provides benefits that are equivalent to disability insurance worth \$465,000.

Private disability insurance does not provide the guarantees that are provided by Social Security. A minority of private sector workers have long-term disability insurance. Compared to Social Security, individually purchased private disability insurance generally is **not** adjusted for inflation, is **not** designed to cover children of disabled workers, and is **not** available to workers with disabilities and other health problems.

Integration of Disability Programs

As described above, people with disabilities are found throughout the Social Security retirement, survivors, and disability programs. Certain program elements are common across the three programs.

The Social Security Act establishes that disability means “inability to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.” In 2010, the substantial gainful activity (SGA) level, as established in regulations, is \$1000/month for people with disabilities, and \$1,640/month for individuals who are blind. The definition of disability is the same for all of the programs.

The formula for determining individual benefits, using the primary insurance amount, is the same for all three programs, including for people with disabilities.

Beneficiaries receiving disabled adult child (DAC) benefits illustrate the interconnectedness of the programs and they are particularly vulnerable to changes in the benefits formula. Individuals qualify for disabled adult child benefits if they: (1) have a severe disability that began before age 22; (2) have not married (with some exceptions); and (3) are unable to earn more than the SGA level.

A disabled adult child receives benefits when his or her parent becomes disabled, retires, or dies. Most disabled adult children get retirement or survivors insurance, but some get disability insurance. While the parent is living (either disabled or retired), the DAC benefit equals up to 50 percent of the parent’s benefit. When the parent has died, the survivor’s DAC benefit equals up to 75 percent of the parent’s benefit. In both cases, the actual benefit may be lower, based on the application of the family maximum to all of the benefits based on one worker’s record. Technically, DAC benefits are paid from the Disability Insurance Trust Fund when the parent is

drawing disability insurance benefits, while the DAC benefit is paid from the Old Age and Survivors Insurance Trust Fund when the parent is either retired or deceased.

Important Features of Social Security Benefits

Current Social Security benefits have a number of critical features that are important to meet the needs of people with disabilities and their families, including:

- **A guaranteed monthly payment.** Eligible disabled workers and family members can expect a set payment each month.
- **Benefits adjusted each year for inflation.** Annual cost of living adjustments (COLAs) protect the value of Social Security benefits.
- **The same weighted benefit formula is used for all programs.** The current benefit structure favors workers with lower earnings who get a larger share of income replaced. In other words, the benefit formula is designed to provide a higher replacement rate for lower wage earners so that they can receive an adequate income. This approach is especially helpful for workers with disabilities (even those who never qualified for disability insurance benefits) because many are only able to work part-time, intermittently, or at reduced levels.
- **People can move among all programs.** Many people move among Social Security's three programs based on their work history, age, or eligibility category, such as workers with disabilities and disabled adult children who may get different types of Social Security insurance at various points in their lives.

Social Security Reduces Poverty for Workers with Disabilities and Their Families

More than one-half of SSDI beneficiaries rely on their Social Security benefits for 75% or more of their income, with the vast majority of these individuals relying on the benefits for 90% or more of their income. Women rely on benefits more than men as they receive a greater percentage of their total income from SSDI benefits. For families with a disabled worker, Social Security benefits are a primary source of income, providing about half of the family's income.

When workers die, their children get benefits. The survivor's benefit is based on the earnings of the person who died. The average monthly benefit in 2010 for a young widowed mother with two children is \$2335.

Although Social Security reduces poverty, disabled workers and their families still struggle financially. The poverty rate for disabled workers and their families is about twice as high as other beneficiaries. About 22 percent of families with disabled workers live below the poverty line. But without Social Security, their circumstances would be even worse.

Social Security Protects Young Workers and Their Families

Many young workers do not realize that Social Security insurance is available **now** for them and their families if they become disabled or die. Disability and death happen at any time, to people

of all ages. More than one-third of young men and nearly one-third of young women will either become disabled or die before reaching normal retirement age.

The vast majority of workers of all ages pay Social Security taxes. In fact, 96 percent of all workers are in jobs covered by FICA (Federal Income Contribution Act) payroll taxes. Younger workers who pay FICA and continue to work fairly regularly are entitled to disability and survivors insurance for themselves and their families. This insurance is very valuable. For some families, it's their major source of income. According to SSA, for a young average earner with a spouse and two children, these benefits now equal a life insurance policy worth \$476,000 and a disability policy worth about \$465,000. Very few young workers can afford to buy this amount of private insurance.

There are special rules for younger workers to qualify for disability benefits and for their families to qualify for survivors benefits. Workers can earn up to 4 credits for each calendar year when they work in covered jobs even if they are self-employed. The amount needed to earn a credit increases slightly each year. In 2010, workers earn a credit for each \$1,120 of earnings. Younger workers (through age 31) qualify for disability benefits as follows:

- Before age 24: Workers who get credits for just 1.5 years can get benefits. They qualify with 6 credits earned in the 3-year period ending when disability starts.
- Age 24 to 31: Workers who get credits for working half the time between age 21 and time of disability. Example: if disabled at age 27, need credit for 3 years of work [12 credits] out of the past 6 years [between ages 21 and 27].

If a younger worker dies, the family may be eligible for survivors benefits. The number of credits needed to get survivor benefits depends on the age of the wage earner when he/she dies. In general, younger workers need fewer credits than older workers. Surviving family members of younger workers can get benefits if the wage earner had credit for one and one-half years of work [6 credits] in the three years before his/her death. How much each family receives is based on the worker's average lifetime earnings. The benefits are based on what the worker would have received if he/she had reached full retirement age at the time of death. A widow or widower, at any age, who is caring for a child under age 16 will get 75 percent of the deceased's benefit. A child under age 18 [19 if still in high school] or an adult disabled child also will get 75 percent of the deceased parent's benefit.

Principles for Proposed Changes to Social Security

In the past, most of the discussions regarding Social Security and its future revolved around retirement benefits. However, the CCD Social Security Task Force strongly believes that people with disabilities have such a major stake in this debate that it is critical that their needs be one essential lens through which all proposals are evaluated.

When Congress addresses Social Security's long-term solvency, it must move slowly and cautiously. Social Security is too important to the people who need it now or will need it in the future to rush to any resolution that undermines the long-term viability of Social Security and the important benefits that it provides. Some modest changes will be needed to ensure long-term solvency. However, the changes needed must not undermine the social insurance nature of

Social Security or increase risks or shift the burden of risk to those who will need to rely upon Social Security in the future.

And, it is essential that any changes, regardless of how modest, protect the intergenerational nature of Social Security, a characteristic that is so important to people with disabilities and their families, including workers with disabilities, disabled widow(er)s, and disabled adult children.

Great care must be taken not to disturb this balance and the broad support that Social Security enjoys throughout our society. In addition, care must be taken not to disturb the dependents' benefits that flow from the work records of higher income earners. While some might argue that higher income earners can afford to receive an even lower replacement rate on their lifetime earnings, such claims do not necessarily hold true for their dependents, including disabled adult children, disabled widow(er)s, and spouses.

Getting the right modest changes is worth the extra time that will be needed to resolve the issue. These are steps that Congress can take long before the solvency issues become a reality. Any changes should follow these principles:

- Keep Social Security's current structure based on payroll taxes.
- Preserve Social Security as a social insurance program for everyone who is eligible.
- Guarantee monthly benefits adjusted for inflation.
- Preserve Social Security to meet the needs of people who are eligible now and in the future.
- Restore Social Security's long-term financial stability.

Some of the specific questions that we will ask, and that we ask each Member of Congress to ask, about proposed changes include the following:

- *Does the proposed change ensure a benefit formula that does not force more people with disabilities into poverty?* A proposal to lower the Primary Insurance Amount (PIA) will cut both retirement and disability benefits because they are set by the same formula. Reducing the PIA will force more people with disabilities further into poverty. It is essential to set benefits at adequate levels.

- *Does the proposed change provide protection against inflation?* Social Security benefits are adjusted for inflation to protect their value. Reducing the COLA by even a small amount makes a big difference over time. Also, the current benefit formula is tied to the "wage index." Switching to a formula based on the "price index" would seriously reduce benefits and the standard-of-living for all future beneficiaries, especially over time. It is essential to maintain a benefits formula that provides adequate future income.

- *Does the proposed change protect disabled adult children and other family members with disabilities?* It is essential to provide adequate income for people with disabilities who depend on workers who retire, die, or become disabled. Private disability insurance is not the answer. Only about 30 percent of private sector workers have long-term disability insurance. Compared to Social Security, individually purchased private disability insurance generally is not adjusted for inflation, is not designed to cover children of disabled workers, and is not available to

workers with disabilities and other health problems. For instance, private disability insurance would not be affordable for people who would receive DAC benefits.

- *Does the proposed change protect the disability insurance program from any pressure that would be caused if the retirement age were raised?* Raising the normal retirement age (NRA) would increase the number of older workers who would need to apply for disability benefits. Many manual laborers must stop working when they can no longer do physical labor and many would have to apply for disability benefits if they are not eligible for full retirement benefits at that time. It is essential to maintain the important roles of the disability and retirement insurance programs.

Beneficiary Impact Statement

As Congress addresses ways to deal with Social Security's long-term solvency in the future, the CCD Social Security Task Force is very concerned that proposals under consideration fully comprehend the consequences that will result for people with disabilities – both workers who become disabled and their dependents and those beneficiaries who are disabled and receive their benefits on the account of a retired, disabled, or deceased worker parent or spouse.

A beneficiary impact statement should analyze the impact of any proposed changes for each type of beneficiary:

- Disabled workers/their dependents
- Retirees/their dependents
- Disabled adult children – dependents of parents who retired, died, or became disabled
- Disabled widows and widowers

So many people are affected by Social Security that it is essential for policymakers to look beyond only the financial implications of making changes. They must understand the actual impact of a proposal on people's lives and the important role that Social Security benefits serve in paying for housing, food, clothing and other necessities.

We view the beneficiary impact statement in a similar way as the budgetary impact statements from the Congressional Budget Office (CBO). Congress does not act on legislation without an estimate of the budgetary impact of the bill provided by the CBO. Likewise, we believe Congress must also require a beneficiary impact statement so that the impact on people is known before Congress takes any action in Social Security.

As it deals with this critical issue in upcoming years, we urge Congress to require that it be provided with a comprehensive analysis of the impact each proposal will have on people who receive Social Security now and in the future. Just as with the required actuarial analysis, Congress should not act on any proposal that it does not fully understand – especially with regard to whom it helps and whom it hurts. There are many subpopulations of Social Security beneficiaries and it is essential that Congress understand how each will be affected by each plan it is considering.

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For 75 years, Social Security has successfully provided insurance against poverty in retirement years and against disability limiting a person's ability to work. For people with disabilities and their families, Social Security has provided a guaranteed payment each month, which is adjusted annually for inflation. Social Security must continue to provide social insurance to everyone who is eligible.

Thank you for inviting me to testify today on behalf of the Consortium for Citizens with Disabilities Social Security Task Force to celebrate the 75th anniversary of Social Security. I would be glad to answer any questions.

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