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February 25, 2015

The Honorable Sam Johnson
Chairman
Subcommittee on Social Security
US House Committee on Ways and Means
Washington, D.C. 20515

The Honorable Xavier Becerra
Ranking Member
Subcommittee on Social Security
US House Committee on Ways and Means
Washington, D.C. 20515

Dear Chairman Johnson and Ranking Member Becerra:

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 hearing on the Social Security Disability Insurance program (SSDI) to express our support for Social Security, including its disability insurance component, and our support for rebalancing the assets of the Social Security trust funds 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 long-term funding shortfall facing Social Security, 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, due to an anticipated shortfall in the SSDI Trust Fund, SSDI beneficiaries are at risk of significant benefit cuts as soon as 2016. This is of particular concern to older workers who are most likely to rely more heavily on SSDI than younger workers, in part because of higher rates of chronic illness and disability at older ages. In fact, 7 out of 10 SSDI recipients are over age 50.

Rebalancing assets among the Trust Funds has been commonly used to prevent such cuts, and it has no impact on the long term solvency of the overall Social Security program. Moreover, rebalancing assets in some manner is the only option available that can prevent benefit reductions in 2016.

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 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 165 million workers, and women today represent half of the workforce and almost half of the SSDI beneficiaries. Less than 6% of the workforce is receiving SSDI, which is consistent with expected rates of disability in the population generally.

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 and shifted revenues between the two trusts. Most recently, in 1994, Congress rebalanced the allocation of Social Security payroll taxes between the OASI trust and the DI trust, based on the Social Security Administration's estimates that 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 2014, "[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." The Trustees most recent letter to OMB Director Shaun Donovan dated February 5, 2015, re-stated and did not change these projections. Congressional Budget Office maintains similar projections.

Many experts, including the CBO, 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.

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 repeatedly warned the Congress over the past few years that SSA was not receiving funding adequate to meet the increased demand in the administrative workload or to maintain progress on many problems in the processing of disability claims that have existed for many years. We also recognize that enhanced program integrity efforts can improve both initial eligibility approvals and continuing disability reviews. AARP has been among the staunchest advocates requesting program integrity funding; we regret that in recent years that the program has been funded below the levels authorized in the Budget Control Act, reducing the Social Security Administration's ability to maximize integrity efforts.

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 determinations, appeals 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 put 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, Senior Legislative Representative, at 202-434-3829.

Sincerely,

Joyce A. Rogers

Joyce Rogers
Senior Vice President
Government Affairs

cc: The Honorable Paul Ryan, Chairman, Committee on Ways and Means
The Honorable Sander Levin, Ranking Member, Committee on Ways and Means

The American Council of Life Insurers

Written Statement for the Record

for

“Maintaining the Disability Insurance Trust Fund’s Solvency”

Before the

United States House Committee on Ways and Means
Subcommittee on Social Security

February 25, 2015

2:00 P.M.

B-318 Rayburn House Office Building

The American Council of Life Insurers (ACLI) is a Washington, D.C.-based trade association with 284 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of industry assets and premiums.

ACLI member companies provide the majority of disability income insurance coverage in the United States. Disability income insurance may be provided by an employer as a group benefit or it may be purchased individually. An individual policy provides protection for as long as the policyholder continues to pay the premium. Group coverage lasts as long as someone is employed or is a member of the group, and the premium is paid. In group plans, premiums may be paid by the employer, the employee or both.

Disability income insurance helps avoid depleting savings accumulated for a children's education or retirement.

Approximately 32 percent of the U.S. workforce is covered by long-term disability insurance through their employer. Private long-term disability insurers provide income protection to approximately 45,500,000 individuals. In 2013, insurers paid more than $10.9 billion in disability insurance benefits. Disability income insurance offered as a workplace benefit is very affordable—the typical American salary can be covered for about $25 a month.

We appreciate the opportunity to submit the following statement for the record for your hearing focused on the financial status of the Disability Insurance (DI) and Old Age and Survivors Insurance Trust Funds, and the available legislative options to ensure full DI benefits continue to be paid. We understand the challenge that the Committee faces as it begins to review ways in which it can address the projected depletion of the Social Security Disability Insurance Trust Fund by late 2016. ACLI and its member company disability income insurers complement and supplement SSDI and urge Congress not to adopt any policies which would discourage the use of private disability income insurance.

Overview of Disability Income Insurance

Disability can result in prolonged unemployment and, in many instances, can drive a family into poverty. At the very least, disability is disruptive and many lead to a significantly lower household income. According to a recent survey, 95 percent of adults felt they would need to make lifestyle changes if a member of their household lost his or her income.[1]

Disability occurs much more frequently than most people realize and families are often ill-prepared. In fact, nine out of 10 workers grossly underestimates their chance of being disabled. Some facts to consider:

- Over 56.7 million people in the U.S. had a disability in 2010 (18.7 percent of the

[1] The Hartford, Benefit Landscape Study, 2010 (see: http://blogs.courant.com/connecticut_insurance/The%20Hartford's%202010%20Benefit%20Landscape%20Survey.pdf).

population).[2]

- About 38.3 million people in the U.S. had a *severe disability* (12.6 percent of the population).[3]
- About 29.5 million *working age adults* (between age 21 and 64) had a disability. That comes out to 16.6 percent of all working-age Americans. [4]
- One out of every four 20 year-olds in the U.S. will become disabled and unable to work before they reach the age of 67.[5]
- Twenty-three percent of people with a disability live in poverty, compared to 15 percent of people without a disability.[6]
- Seventy-seven percent of working Americans report that they would suffer great or moderate financial hardship if they were unable to work for three months.[7]
- According to the Social Security Administration, in 2012 there were 2,820,812 applications for worker-disabled insurance. Of those applications, only 979,973 people (35 percent) were awarded benefits.
- About 95 percent of disabling accidents and illnesses are not work-related and are not covered by workers compensation.[8]

Disability income insurance (or DI) and is distinct from medical insurance. It encompasses short-term disability benefits (STD) and long-term disability benefits (LTD). DI protects an employee by replacing a portion of their earnings if they are injured, become ill, or develop a condition that results in a disability. STD covers a percentage of an employee's salary with payments starting after all sick leave is exhausted. The duration of STD benefits vary, but typically last 6 months. LTD protects a worker from catastrophic illness or injury and will usually provide payments until age 65. A typical policy pays at least half of a covered employee's salary up to a specified limit.

Some DI policies also cover the cost of job training if a worker can no longer perform his or her current occupation, or needs workspace modifications.

According to the U.S. Bureau of Labor Statistics, in 2013, STD coverage was available to 44 percent of full-time workers, and LTD coverage was available to 42 percent. Of those full-time workers that were offered disability income insurance, participation was 98 percent for STD and 97 percent for LTD.[9] In total, 49.5 million full-time workers had STD coverage through their jobs, and 46.8 million had LTD coverage.

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[2] U.S. Department of Commerce, Bureau of the Census, Americans With Disabilities, 2010, July 2012.
[3] U.S. Department of Commerce, Bureau of the Census, Americans With Disabilities, 2010, July 2012.
[4] U.S. Department of Commerce, Bureau of the Census, American Community Survey, 2011.
[5] See: Social Security Administration, "Basic Facts", February 7, 2013.
[6] U.S. Department of Commerce, Bureau of the Census, Americans With Disabilities, 2010, July 2012.
[7] Consumer Federation of America and Unum, "Employee Knowledge and Attitudes about Employer-Provided Disability Insurance", 2012.
[8] Council for Disability Awareness, Long-Term Disability Claims Review, 2012. (as reported by: Consumer Federation of America and Unum, "Employer-sponsored Disability Insurance: The Beneficiary's Perspective", 2013).
[9] From: U.S. Department of Labor, Bureau of Labor Statistics, National Compensation Survey, March 2013.

Value to Consumers

In 2013 alone, insurers paid over $10.9 billion in long-term disability benefits.

A 2008 Harris Interactive survey commissioned by America's Health Insurance Plans (AHIP), assessed disability insurance claimants' satisfaction with their policy, as well as their experience filing a claim and receiving benefits. Key findings from that survey were as follows:

- Overall, four out of five claimants (82 percent) said that they are very satisfied or somewhat satisfied with their policy.
- Most claimants were satisfied with the process for filing a claim (81 percent), promptness of payment (79 percent), responsiveness of the insurer (75 percent), and overall communication from the insurer (71 percent).
- Two-thirds of claimants (66 percent) did not encounter any problems with the claims process, and among those that did, the vast majority (84 percent) had their problem resolved satisfactorily.
- The vast majority of claimants (96 percent) say it is at least somewhat likely they would have suffered financial hardship if they did not have disability income protection. Furthermore, two-thirds (67 percent) say it would have been very or extremely likely that they would have suffered financial hardship if they had not received private disability insurance payments.

In addition to replacing lost income for claimants in a timely manner, private disability insurers can play a key role in restoring disabled workers to financial self-sufficiency and maintaining productivity for America's businesses. The industry has been proactive in designing policies that facilitate claimants return to work. Additionally, by investing in rehabilitation and return-to-work programs, private disability insurers are actively engaged in assisting workers with disabilities return to the workforce.

Innovative rehabilitation and return-to-work programs include a wide range of strategies in recognition of the fact that persons with disabilities are highly diverse and face varying circumstances. Services offered include medical case management, vocational and employment assessment, worksite modification, purchase of adaptive equipment, business and financial planning, retraining for a new occupation, child or dependent care benefits during rehabilitation and education expenses. These innovative benefits reflect the industry's strong commitment to promoting employment and self-sufficiency among persons with disabilities.

Disability insurers also help consumers exercise their rights under the Social Security Disability Income (SSDI) program. The integration of disability income benefits with Social Security disability benefits has long been recognized by regulators, the insurance industry, and employers as an important tool in reducing the cost of disability insurance coverage and keeping it affordable so that the maximum number of employees can receive coverage. Disability income insurers carefully screen their long-term disability claimants to determine if it is reasonable to expect them to receive Social Security benefits.

For those who are expected to qualify, insurers dedicate significant resources to help with the application process, which can be confusing and burdensome.

Furthermore, helping qualified claimants apply for SSDI provides them with important benefits beyond a simple monthly income check. These benefits include cost of living adjustments, continuing credit toward Social Security retirement benefits, and, in time, eligibility for Medicare coverage. These SSDI benefits are in addition to what disability insurers pay to help cover living expenses while a person is unable to work and earn an income.

Public Policy

In 2013, only 32% of workers were covered by disability income insurance. ACLI supports expanding the disability income marketplace to enhance workers' financial security and protect savings for retirement. We support measures that encourage disabled workers to attain maximum functionality and return to the workplace.

According to a recent study, private insurer disability management and return-to-work assistance could save the federal government $25 billion over 10 years. Almost half of these savings accrue to the Social Security Disability Insurance (SSDI) program. The remaining savings arise when ill or injured workers are able to return to work and leave the rolls of public programs, such as Medicare, Medicaid and the Special Nutrition Assistance Program (SNAP).[10] In addition, the study found that the receipt of private disability income replacement benefits could lift up to 575,000 American families out of poverty each year and save the nation's taxpayers up to $4.5 billion annually by reducing dependence on the Temporary Assistance for Needy Families (TANF) program and SNAP.[11]

As part of the Pension Protection Act of 2006 (PPA), and in response to concerns by employers regarding employer sponsorship of 401(k) automatic enrollment arrangements, Congress clarified that such arrangements are permissible under existing laws and that state laws should not upset these arrangements. Employers responded to the legislation by adopting 401(k) plan automatic enrollment arrangements for their employees.

Like the PPA provision, ACLI supports proposed legislation that would allow automatic enrollment arrangements for disability income coverage—helping to bring the benefits of this coverage to many more employees. Much like 401(k) plan automatic enrollment, under these arrangements employees are enrolled in employer sponsored disability income coverage when hired or upon initial eligibility, subject to advance notice and broad rights to opt-out of coverage.

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[10] Under current conditions and as currently configured, disability income programs should save the Federal treasury $25 billion over 10 years, by allowing approximately 65,000 employees a year to rely less or not at all on federal "safety net" programs. Charles River Associates, *Private Disability Insurance and Return-to-Work: Cost Savings to SSDI and Other Federal Programs*, September 2013.

[11] Charles River Associates, *Financial Security for Working Americans: An Economic Analysis of Insurance Products in Workplace Benefits Programs*, July 2011.

The legislation would not mandate that employers provide disability income insurance, nor would it establish any financial incentives for them to do so. The proposed legislation simply clarifies the permissibility of these arrangements and sends a signal of the importance of such benefits to employees.

ACLI also supports the McCrery-Pomeroy SSDI Solutions Initiative, a project dedicated to identifying practical policy changes to improve the Social Security Disability Insurance program for its beneficiaries, those contributing to the program, and the economy as a whole.

The goal of the project is to provide policymakers with implementable improvements to the program which can be considered as part of efforts to avoid the projected SSDI trust fund insolvency in late 2016.

As part of the project, the Charles River Associates (CRA), supported by ACLI and AHIP, will examine the interaction between private disability income protection coverage and the Social Security Disability Insurance (SSDI) program. The CRA research will identify the benefits to the overall national economy of private disability income coverage, including insurers' disability management techniques and return-to-work (RTW) support strategies, and quantify the net financial impact on the SSDI program.

The industry looks forward to sharing the results of this research with the Committee.

Conclusion

Employees recognize that disability income coverage, as a part of their benefit package, provides a valuable measure of protection in the event of a disabling injury or illness. While most people are able to return to work following a short period of recovery, some people find themselves unable to return to work within six months, and need long-term disability insurance to assist them and their families during this difficult time. A combination of public and private coverage can provide critical financial support.

The private disability income insurance industry has for many decades played an integral role in providing for the financial well-being of and peace of mind for American workers and their families. The current framework of federal and state consumer protections provides the all important balance of providing a reasonable cost of coverage and appropriate handling of claims.

The disability income insurance industry appreciates the opportunity to serve as a resource for this Committee as it continues to look for ways to maintain the Social Security Disability Insurance program upon which millions of American families rely.

FOR THE RECORD

Statement
on
"Maintaining the Disability Insurance Trust Fund's Solvency"

America's Health Insurance Plans
601 Pennsylvania Avenue, NW
South Building, Suite 500
Washington, DC 20004

Submitted to the
House Committee on Ways and Means
Social Security Subcommittee

February 25, 2015

I. Introduction

AHIP is the national association representing health insurance plans that provide health and supplemental benefits to more than 200 million Americans. Our members offer a broad range of products, including private disability income protection that replaces lost income in the event that a disabling condition forces a covered worker to leave the workforce for an extended period of time.

As members of the Subcommittee know, the Social Security Board of Trustees has projected that, under current law, the Disability Insurance (DI) Trust Fund, from which Social Security Disability Insurance (SSDI) benefits are paid, will deplete its assets late next year. Because private income protection benefits are typically integrated with SSDI benefits, our member insurers that provide disability income protection coverage are doing their best to anticipate and prepare for a potential disruption of scheduled SSDI benefit payments – to minimize the confusion, fear, and financial hardship that a drop in SSDI benefits would bring about in financially vulnerable households.

We appreciate the Subcommittee's interest in exploring solutions to the financial challenges facing the SSDI program. Our members have demonstrated strong leadership in developing innovative programs to meet the needs of disabled workers, including strategies and services to support them in their efforts to return to work and lead productive lives. This emphasis on return-to-work is a particularly important component of the protection offered by private disability income insurers. By helping people overcome their disabilities and return to the workforce, based on consultation with their health care providers, insurers are enabling the working Americans they cover to improve both their financial situation and their quality of life. We believe our members' experience in pioneering these initiatives offers valuable lessons for Congress as you consider legislative options for strengthening the financial stability of SSDI. We also believe that savings to the SSDI program, and other federal programs, arising out of private disability income protection suggest that policies to extend income protection to a greater number of working Americans would serve the public interest.

To contribute to the dialogue at today's hearing, our statement focuses on:

- an overview of private disability income protection coverage;
- examples of successful return-to-work strategies used by our member companies;
- analyses of federal savings arising out of private disability income protection; and
- the findings of a survey of disability insurer return-to-work practices.

II. Overview of Disability Income Protection Coverage

Private disability income protection provides tens of millions of Americans with coverage that complements the safety net provided by the SSDI program. Approximately 39 percent of U.S. workers in private industry are covered by employer-sponsored short-term disability coverage, while 32 percent receive long-term disability insurance through their employers.[1] This coverage provides a level of disability income that spares many Americans from financial hardship.

A recent survey clearly shows the value of private income protection to working Americans. A survey of group disability insurers comprising approximately 75 percent of the commercial disability insurance marketplace indicates that approximately 653,000 individuals received long-term disability payments in 2013 from private insurers participating in the survey. Participating insurers paid a total of $9.8 billion in long-term disability benefits that year. Twenty-eight percent of these claimants receiving private disability income benefits were not receiving SSDI benefits. Moreover, more than 95 percent of reported disabilities were not work-related and, therefore, not eligible for benefits under workers compensation.[2]

Private short-term disability coverage typically pays benefits for 13 to 26 weeks based on a specified percentage of the employee's pre-disability income – typically 60 percent – after sick leave has been exhausted. Circumstances that may trigger the payment of short-term disability benefits include temporary musculoskeletal or connective tissue conditions, pregnancies, and other illnesses or conditions that are resolved within a relatively short timeframe, often allowing the employee to return to work before benefits are exhausted.

The valuable protection offered by short-term disability coverage can be purchased at a reasonable price – an average of $210 annually when purchased as group coverage by employers.[3] This short-term protection can be purchased in combination with long-term disability coverage as part of a seamless package, with the short-term and long-term benefits coordinated to ensure that disabled workers can meet their daily expenses and avoid financial hardship. Long-term disability benefits continue anywhere from five years to the remainder of an individual's life. Long-term disability insurance allows workers to sustain themselves financially if an illness, injury, or disability takes them out of the workplace for an extended period of time. In 2010, the average annual group premium for long-term disability coverage was $245 per covered employee.[2]

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[1] U.S. Department of Labor, Bureau of Labor Statistics, *National Compensation Survey: Employee Benefits in the United States*, March 2013
[2] Council for Disability Awareness, *2014 Long-Term Disability Insurance Claims Survey,* September 2013
[3] GenRe, *2010 U.S. Group Disability Market Survey Summary Report*, July 2011

III. Return-to-Work Strategies by Private Disability Insurers

In addition to replacing lost income for claimants in a timely fashion, private disability income insurers have been very proactive in developing return-to-work programs that help disabled workers move forward when they are prepared to reclaim their financial self-sufficiency. This can be an invaluable tool in helping to maintain the productivity of America's businesses. This role has become more important with the growing impact of employees with chronic diseases, downsizing by employers during the economic downturn, and baby boomers delaying retirement.

A 2010 AHIP report[4], based on interviews with experts at our member companies, describes trends and innovations in the disability income insurance industry. This report reviews a range of successful return-to-work strategies being used by private disability insurers. Several examples are highlighted below.

Assisting Cancer Patients and Survivors

Cancer accounts for a large share of long-term disability claims. Most cancer patients ultimately return to work, and it is becoming increasingly common for cancer patients to continue working while they undergo treatment. Employees who remain at work during cancer treatment or return to work after treatment can face fatigue, difficulties with memory and concentration, pain, and even post-traumatic stress. Strategies for supporting employees facing these challenges include allowing time and space for breaks, planning work schedules to avoid the worst times for pain and fatigue, and creating check lists for job tasks to help deal with temporary memory loss. Insurers work with employers to help them anticipate potential difficulties and work around them.

Modifying Work Environments to Address Functional Limitations

Musculoskeletal conditions, such as arthritis, are increasingly a factor in the workplace as the U.S. workforce gets collectively older. Workers with these conditions often have difficulties with strength and range of motion that can make it difficult for them to remain in the same job. Insurers work with employers to find successful ways to modify job responsibilities and workstations to allow workers to overcome physical limits associated with arthritis and other musculoskeletal conditions.

Facilitating Part-Time Work

In some cases, an employee may be able to continue carrying out the duties of his or her job, but may have limitations that prevent him or her from working effectively on a full-time basis. Such

[4] AHIP Center for Policy and Research, *Trends and Innovations in Disability Income Insurance*, January 2010

limitations might be most common for older workers. Disability insurers help employers and employees develop flexible part-time schedules that are suited to the needs and preferences of the affected employee.

Enhancing Support for Workers on Long-Term Disability

Disability insurers typically seek first to help disabled employees return to their previous job with their current employer. When an employee cannot return to his or her previous job or employer, insurers can help the employee prepare for and find another job, begin a new career, or start a business. Insurers provide vocational counseling and help with resume writing, networking, and interviewing. Counselors also help participants identify job goals and potential employers, identify gaps in skills, and access needed training and education.

Integrating Health and Disability Support Services

A number of companies that offer both health care and disability insurance support services are integrating and coordinating these services to ensure that workers receive the most effective care for their chronic conditions and can return to work as soon as possible. This approach recognizes the value of addressing all of an individual's medical, social service, and behavioral health needs in a coordinated way, rather than in separate silos.

One company, for example, has established a program through which enrollees who have both health and disability coverage can work with nurse case managers who act as health advocates. Case managers help workers navigate the health care system and access the health care, disease management, and disability-related services they need. When employees feel ready to return to work, vocational rehabilitation counselors coordinate with employers to develop return-to-work plans suited to the employees' needs and abilities. Such plans often include modified work schedules that help employees transition gradually from part-time to full-time work, use of ergonomic work stations and chairs, and changes to physical requirements (such as eliminating heavy lifting).

Another company with an integrated health and disability program makes it possible, with the consent of employees, for health and disability team members to share information about the employees' health and functional status on a real-time basis so they can return to work as soon as possible. This program also includes a role for case managers in consulting with physicians about including return-to-work considerations in patients' treatment plans.

IV. Federal Savings Arising Out of Private Income Protection Coverage

Private insurer disability management and return to work (RTW) efforts have also been shown to have a positive impact on the SSDI program by putting ill or injured workers on a path that leads them away from the SSDI program rolls – or shortens the time that they received SSDI benefits. A 2013 analysis carried out by Charles River Associates estimated that private insurers' disability management and return-to-work interventions save the federal government $25 billion over a ten-year period. Almost half of these savings accrue to the SSDI program. The remaining savings arise when ill or injured workers leave the rolls of public programs such as Medicare, Medicaid, and the Special Nutrition Assistance Program (SNAP) when they return to work.[5]

An earlier Charles River analysis indicated that the receipt of private disability income protection benefits lifts up to 575,000 American families out of poverty each year and saves the nation's taxpayers up to $4.5 billion annually by reducing dependence on the Temporary Assistance for Needy Families (TANF) program and SNAP.[6]

Because of the positive fiscal impact of private income protection on SSDI and other federal programs, AHIP and its disability income protection insurer members believe that we have common ground with stakeholders who are working to restore the solvency of the SSDI program. Federal policies that would help expand private income protection – and the return-to-work assistance that private coverage makes available – would benefit taxpayers and SSDI beneficiaries, as well as working Americans and employers. Specifically, we believe that the federal government could play a key role in helping to educate and empower working Americans and employers regarding disability income security issues and best return-to-work practices. We also believe that the automatic-enrollment provisions of the Pension Protection Act of 2006 could serve as a model for parallel provisions to extend disability income protection to many more working Americans.

V. Survey of Disability Insurer Return-to-Work Practices

Additional information about the return-to-work strategies of private disability insurers is revealed by a survey conducted by Milliman, Inc.

[5] Charles River Associates, *Private Disability Insurance and Return-to-Work: Cost Savings to SSDI and Other Federal Programs*, September 2013
[6] Charles River Associates, *Financial Security for Working Americans: An Economic Analysis of Insurance Products in Workplace Benefits Programs*, July 2011

The Milliman survey highlights the investments of private disability insurance carriers in rehabilitation and return-to-work efforts, identifies key industry practices that support these initiatives, and highlights the factors that are most crucial to the success of return-to-work strategies.[7] For insurers taking part in the survey, return-to-work closures represented 29 percent of all claim closures and 42 percent of all closures (excluding claims closed due to death or at the end of the maximum benefit period).

The following are several key findings of this survey:

- Private disability insurers make significant investments in returning disabled workers to productivity. On average, participating long-term disability (LTD) insurers spent $3,200 on each disabled employee receiving rehabilitation and return-to-work services. The range of disability insurer investment extended as high as $7,600 per return-to-work client.

- Rehabilitation and return-to-work programs offer a wide range of services to disabled employees, including:
    - Medical case management,
    - Vocational and employment assessment,
    - Worksite modification,
    - Purchasing adaptive equipment,
    - Business and financial planning,
    - Retraining for a new occupation, and
    - Education expenses.

- A number of provisions in disability insurance policies play a role in supporting claimant rehabilitation and return-to-work. These provisions include:
    - Work incentive benefits,
    - Rehabilitation benefits,
    - Workplace accommodation benefits, and
    - Child or dependent care benefits during rehabilitation.

- The employer's willingness to participate in a disabled employee's rehabilitation plan is a crucial factor in achieving a successful return to work.

[7] Milliman, Inc., *Survey of Rehabilitation and Return-to-Work Practices Among U.S. Disability Carriers*, May 2007

VI. Conclusion

We appreciate this opportunity to share our perspectives on the interaction of private disability income protection and the SSDI program. We look forward to working with this Subcommittee and other congressional committees to maintain and strengthen the disability income security of working Americans – and to improve the long-term fiscal strength of the SSDI program. As part of this effort, we will be supporting measures to increase SSDI program savings arising from private disability income protection, by extending income protection coverage to more working Americans, to contribute to the long-term solution to maintaining the Disability Insurance Trust Fund's solvency.

CONSORTIUM FOR CITIZENS WITH DISABILITIES

Statement for the Record
U.S. Senate Committee on the Budget
Hearing on "The Coming Crisis: Social Security Disability Trust Fund Insolvency"
Wednesday, February 11, 2015

The undersigned members of the Consortium for Citizens with Disabilities (CCD) submit the following statement for the record of the February 11, 2015 hearing held by the Senate Committee on the Budget on "The Coming Crisis: Social Security Disability Trust Fund Insolvency".

The CCD is a coalition of national organizations working together to advocate for federal public policy that ensures the self-determination, independence, empowerment, integration, and inclusion of the approximately 57 million children and adults with disabilities in all aspects of society. SSDI's modest but vital assistance supports these goals for approximately 11 million Americans, helping beneficiaries with disabilities and their families to meet their everyday needs -- keeping a roof over their heads, putting food on the table, paying for out-of-pocket medical and disability-related expenses, and meeting other basic living expenses.

Congress has known for the last two decades that Social Security's Disability Insurance (DI) fund will need to be replenished by 2016. The need for action now is no surprise, but stems from long-term demographic trends including an aging workforce now in its disability-prone years, and an increase in work by women that has led to an increase in women's eligibility for Social Security including SSDI based on their own work records.

Reallocation will ensure that SSDI is available to both current and future beneficiaries, including the 7 in 10 SSDI beneficiaries who are age 50 and older. SSDI benefits average just $38 per day for workers with disabilities. Benefits make up the majority of income for 4 out of 5 beneficiaries and provide the sole source of income for 1 in 3 beneficiaries. The impact of any reduction in benefits could be truly devastating.

Congress needs to act expeditiously, as it has done many times in the past, to reallocate existing payroll taxes between Social Security's DI and Old-Age and Survivors' Insurance (OASI) funds. As outlined by Social Security's actuaries, both trust funds would be able to pay full scheduled benefits through 2033 by temporarily raising the 1.8 percent DI share of the current 12.4 percent Social Security payroll contribution to 2.8 percent in 2015 and 2016, and then gradually reducing it back to 1.8 percent by 2025. Congress has reallocated between Social Security's funds in this manner about equally in both directions to keep the system on an even reserve ratio -- 6 times using a

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narrow definition of reallocation, and 11 times using a broader definition of reallocation. Reallocation does not require any new taxes and will maintain the long-term solvency of the combined Social Security trust funds at 2033, as currently projected.

Reallocation -- without accompanying cuts to Social Security coverage, eligibility, or benefits -- is the common sense, responsible solution that Congress should enact promptly. Such a reallocation is needed to keep Social Security's promise to the more than 165 million Americans who currently contribute to the system and the nearly 11 million Americans who currently receive SSDI benefits.

Maintaining our Social Security system goes far beyond dollars and cents. It is about strengthening economic security and dignity for all Americans. Consideration of any changes to this vital system must include the voices and views of people with disabilities as well as all Americans who may need SSDI in the future.

Sincerely,

ACCSES
American Academy of Pediatrics
American Association of People with Disabilities (AAPD)
American Association on Health and Disability
American Foundation for the Blind (AFB)
American Network for Community Options and Resources
Association of Assistive Technology Act Programs
Association of Jewish Family & Children's Agencies
Association of University Centers on Disabilities (AUCD)
Attention Deficit Disorder Association
Autism National Committee (AutCom)
Autistic Self Advocacy Network (ASAN)
Bazelon Center for Mental Health Law
Brain Injury Association of America
Community Legal Services
Council for Learning Disabilities
CSH
Disability Rights Education & Defense Fund
Easter Seals
Epilepsy Foundation
Goodwill Industries International
Health & Disability Advocates
Jewish Federations of North America
Lupus Foundation of America
Lutheran Services in America Disability Network
National Academy of Elder Law Attorneys (NAELA)
National Alliance on Mental Illness
National Association of Councils on Developmental Disabilities
National Association of Disability Representatives
National Association of School Psychologists
National Association of State Head Injury Administrators

National Committee to Preserve Social Security and Medicare
National Council for Behavioral Health
National Council on Aging
National Council on Independent Living
National Disability Rights Network
National Down Syndrome Congress
National Industries for the Blind
National Multiple Sclerosis Society
National Organization of Social Security Claimants' Representatives
National Respite Coalition
Paralyzed Veterans of America
SourceAmerica
Special Needs Alliance
The Arc of the United States
United Cerebral Palsy
United Spinal Association

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Statement for the Record

Of
Paralyzed Veterans of America

To the

House Ways and Means Committee
Subcommittee on Social Security

Concerning the Social Security Trust Fund

February 25, 2015

Paralyzed Veterans of America (PVA) appreciates the opportunity to share with the Subcommittee on Social Security this statement to its hearing on maintaining the disability insurance trust fund's solvency. PVA is the only Congressionally-chartered veterans' service organization devoted solely to representing veterans with spinal cord injury and/or dysfunction. Since 1947, PVA has been a strong advocate for programs and services affecting the quality of life of its members. PVA represents millions of Americans for whom Social Security is a foundation of their economic security.

According to the Social Security Administration, there are about 9.4 million military veterans receiving Social Security benefits. This means that nearly one out of every four adult Social Security beneficiaries has served in the United States military. Millions of men and women who raised their right hand and took the oath to protect democracy also paid into a system that promised them financial support upon reaching retirement age or becoming too disabled to work. Most of these veterans are over age 62 and had served during the Vietnam War or earlier. They served their country and upheld their part of the deal; now it seems our government's part of the transaction may have been written with disappearing ink.

In a rules change adopted on the opening of the 114th Congress, the House of Representatives created new hurdles to fixing the Social Security system and exposed disability insurance benefits to the possibility of a 20 percent reduction in 2016. More than ten times since 1968, it has been necessary for Congress to adjust the formula allocating payroll taxes between the Old Age, Survivors and Disability Insurance trust funds to keep the overall Social Security system in balance. This has always been done in a bipartisan manner and has kept America's promise to veterans receiving Social Security benefits while sustaining the system for decades. If this simple rebalancing is used again to put the entire Social Security program on an equal footing, benefits will remain payable at least until year 2033. This would provide time for a thorough, thoughtful and much needed discussion about the future of the overall Social Security system, including both solvency and benefit adequacy. Without this reallocation, Social Security disability insurance benefits face the aforementioned 20 percent cut in 2016. However, the House leadership has created a Hobson's choice with its adoption of a rule that states: "We will prevent the 20 percent cut in disability benefits but only if we cut benefits or raise revenues." And the likelihood of the latter action occurring going into the 2016 election year is minimal.

With the country still recovering from an era that saw the terrorist attacks on September 11, 2001 followed by the longest war in its 235-year history, PVA would assume that any benefits that accrue to our nation's veterans, particularly the most vulnerable, are worthy of preservation. Those who volunteer to serve in our military have a right to expect that those Americans they protect will, in turn, afford them some semblance of protection when they need it. Otherwise, military service will not seem as attractive a career option. In World War II, 11.2 percent of the nation served during the four years of war. In Vietnam, 4.3 percent served during the 12 years of war. Since 2001, only 0.45 percent of the American population has served in the wars in Iraq and Afghanistan. Eroding the safety net to which service members contributed is no way to ensure an adequate fighting force for future conflicts.

By rebalancing the Social Security Trust Funds using a simple adjustment in the amount of payroll taxes going into the retirement and survivors and disability trust funds, and doing so without any new taxes or cuts in benefits, Congress can ensure the stability of the system for the next 18 years and the readiness of our military by making service an attractive career option. But if Congress stays on its present course, we may get neither.

We urge Congress to adopt a clean reallocation of payroll taxes between the two Social Security trust funds to avoid a 20 percent reduction in disability benefits in 2016.

We thank you for the opportunity to offer our views for the record and we would be happy to answer any questions the Committee may have.