



**Testimony  
The Social Security  
Disability Insurance Program**

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House Committee on Ways and Means**

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**Chairman Johnson, Ranking Member Becerra and Members of the Social Security Subcommittee of the House Ways and Means Committee, I want to thank you for this opportunity to submit a statement for the record on the Social Security Disability Benefits Program.**

**“An Option to Strengthen the Ticket to Work and Self-Sufficiency Program While Reducing the Ongoing Costs to Medicare and Social Security Disability Income”**

This Testimony is intended to describe a solution to the growing number of people on Social Security Disability Income (“SSDI”) and the need to create an incentive for them to get off of SSDI. The goal is to supplement the exemplary work begun with the Ticket to Work and Self-Sufficiency (“TTW”) Program with a zero-cost enhancement that has proven effective over the last two decades.

**Background**

The Social Security Administration (“SSA”) paid disability benefits to over 9.4 million people last year, accounting for 19% of all Social Security

beneficiaries. These SSDI payments exceed \$128 Billion annually. Numerous reports indicate this number will continue to increase due to a variety of factors, from the aging of the workforce to ongoing effects of the previous recession.

### The Current Status

The TTW program does not currently address the loss of monthly income benefits and the loss of medical care provided by Medicare, which has hampered its effectiveness.

### Our Proposal

The structured settlement industry, represented by the National Structured Settlement Trade Association (“NSSTA”) has, for the last two decades, helped negotiate and settle tens of thousands of workers' compensation claims across the United States. These medical and wage replacement benefits are nearly identical to the benefits provided by SSDI and Medicare and has enabled employers and insurers to cost effectively close their workers' compensation claims while simultaneously providing the freedom, security and dignity to injured workers to allow them to move on with their lives, obtain re-education, or return to work.

The NSSTA is comprised of over 1000 individuals specializing in settling claims with periodic payments with decades of negotiation experience covering every jurisdiction in the United States. Our proposal would include leveraging this network of professionals who will provide their negotiation expertise at no cost to the government, to help identify, meet with, and negotiate a settlement that is in the SSDI/Medicare beneficiary's and the government's best interest.

### Process Overview

This is a suggestion of how this approach could work, based on our existing structured settlement methodology used in workers' compensation cases, both on the state and Federal level. It has proven to be a cost effective system with tremendous benefits for all parties:

1. The government would establish criteria for claims suitable for settlement and calculate an appropriate settlement value range. The structured settlement consultant would help establish the present day value of the future benefits, after which an appropriate and cost-saving present value amount of the future benefits would be

established, which becomes the basis for a settlement range. Many workers' compensation carriers establish a settlement value around 70-75% of the present value.

For example, a 52-year old male is receiving \$1,700 per month in SSDI benefits. With an anticipated 27-year life expectancy, the total cost to the government is over \$550,000. A structured settlement consultant can help calculate a present value of these benefits. Using current Treasury rates, a discounted present value of this benefit is approximately \$400,000. Therefore, the government could establish a value range to settle this care at around \$300,000.

2. A local structured settlement consultant would negotiate a settlement that could include a lump sum as well as future periodic payments that would provide ongoing income, as well as pay for private or state run health insurance. Payments can be funded with an annuity or, for additional savings to the government, with US government obligations such as Treasuries. By funding with Treasuries, the government would effectively be paying itself to settle the claim, adding additional monetary benefits to the program.

To illustrate, a sample settlement negotiated by a structured settlement consultant could be as follows:

\$50,000	Cash Up Front	Cost: \$50,000
\$300/month for life	Medical Insurance Premium	Cost: \$65,000
\$1,000/month for 20 years	Income Replacement	Cost: \$185,000
Total cost of settlement:		\$300,000
Total present value cost of benefits:		\$400,000
Total future value cost of benefits:		\$550,000+
<u>Present value savings to the government</u>		\$100,000
<u>Future value savings to the government</u>		\$250,000+

The cash up front provides for immediate needs and reeducation/retraining. The \$300 per month covers the cost of health insurance premiums and the \$1,000 month provides income replacement benefits with a guarantee to protect the worker's family. Future value is estimated, as if the SSDI beneficiary lives longer than

expected, the government would have to continue to pay him. Numerous studies on mortality trends, including the US Census, show that Americans are living longer.

3. By providing the SSDI/Medicare beneficiaries with a level of guaranteed income and funds to procure health insurance, they can now leave the SSDI/Medicare system and either return to work or retrain for a new job. This results in an immediate, hard dollar present value savings to the government.
4. The government would also save costs by being able to eliminate future administrative expenses, ongoing (and often escalating) medical expenses, and hard dollar savings from a negotiated settlement. Part of the settlement would include a stream of guaranteed payments to fund the purchase of private or public health insurance benefits, easing the strain on the Medicare system.
5. By providing guaranteed income and medical benefits, the program would allow non-productive workers to retrain and return to work to become productive workers paying into the system again.

With this process, injured workers can now seek treatment with an appropriate civilian or state run health care provider and return to work or school while providing SSA with significant hard dollar savings in excess of \$1 billion annually. We would welcome the opportunity to discuss this proposal in greater detail.

Respectfully submitted by,

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