

Social Security disability on verge of insolvency

By STEPHEN OHLEMACHER - Associated Press | AP - 8 hrs ago



8/22/2011- WASHINGTON (AP) — Laid-off workers and aging baby boomers are flooding Social Security's disability program with benefit claims, pushing the financially strapped system toward the brink of insolvency.

Applications are up nearly 50 percent over a decade ago as people with disabilities lose their jobs and can't find new ones in an economy that has shed nearly 7 million jobs.

The stampede for benefits is adding to a growing backlog of applicants — many wait two years or more before their cases are resolved — and worsening the financial problems of a program that's been running in the red for years.

New congressional estimates say the trust fund that supports Social Security disability will run out of money by 2017, leaving the program unable to pay full benefits, unless Congress acts. About two decades later, Social Security's much larger retirement fund is projected to run dry, too, leaving it unable to pay full benefits as well.

Much of the focus in Washington has been on fixing Social Security's retirement system. Proposals range from raising the retirement age to means-testing benefits for wealthy retirees. But the disability system is in much worse shape and its problems defy easy solutions.

The trustees who oversee Social Security are urging Congress to shore up the disability system by reallocating money from the retirement program, just as lawmakers did in 1994. If Congress does not act, the disability program will collect only enough payroll taxes to pay about 85 percent of benefits after the trust fund is exhausted in 2017.

Even if Congress does act, the combined retirement and disability trust funds are projected to run out of money in 2036, the trustees say. The new congressional report estimates the combined fund would run out of money in 2038. At that point, the combined programs would collect enough in payroll taxes to pay about three-fourths of benefits.

Claims for disability benefits typically increase in a bad economy because many disabled people get laid off and can't find a new job. This year, about 3.3 million people are expected to apply for federal disability benefits. That's 700,000 more than in 2008 and 1 million more than a decade ago.

"It's primarily economic desperation," Social Security Commissioner Michael Astrue said in an interview. "People on the margins who get bad news in terms of a layoff and have no other place to go and they take a shot at disability,"

The disability program is also being hit by an aging population — disability rates rise as people get older — as well as a system that encourages people to apply for more generous disability benefits rather than waiting until they qualify for retirement.

Retirees can get full Social Security benefits at age 66, a threshold gradually rising to 67. Early retirees can get reduced benefits at 62. However, if you qualify for disability, you can get full benefits, based on your work history, even before 62.

Also, people who qualify for Social Security disability automatically get Medicare after two years, even if they are younger than 65, the age when other retirees qualify for the government-run health insurance program.

Congress tried to rein in the disability program in the late 1970s by making it tougher to qualify. The number of people receiving benefits declined for a few years, even during a recession in the early 1980s. Congress, however, reversed course and loosened the criteria, and the rolls were growing again by 1984.

The disability program "got into trouble first because of liberalization of eligibility standards in the 1980s," said Charles Blahous, one of the public trustees who oversee Social Security. "Then it got another shove into bigger trouble during the recent recession."

Today, about 13.6 million people receive disability benefits through Social Security or Supplemental Security Income. Social Security is for people with substantial work histories, and monthly disability payments average \$927. Supplemental Security Income does not require a work history but it has strict limits on income and assets. Monthly SSI payments average \$500.

As policymakers work to improve the disability system, they are faced with two major issues: Legitimate applicants often have to wait years to get benefits while many others get payments they don't deserve.

Last year, Social Security detected \$1.4 billion in overpayments to disability beneficiaries, mostly to people who got jobs and no longer qualified, according to a recent report by the Government Accountability Office, the investigative arm of Congress.

Congress is targeting overpayments.

The deficit reduction package enacted this month would allow Congress to boost Social Security's budget by about \$4 billion over the next decade to invest in programs that identify people who no longer qualify for disability benefits. The Congressional Budget Office estimates that increased enforcement would save nearly \$12 billion over the next decade.

At the same time, the application process can be a nightmare for legitimate applicants. About two-thirds of initial applications are rejected. Most of these people drop their claims, but for those willing to go through an appeals process that can take two years or more, chances are good they eventually will get benefits.

Astrue has pledged to reduce processing times for applicants' appeals, and he has had some success, even as the number of claims skyrockets. The number of people waiting for decisions has increased, but their wait times are going down.

"It's ludicrous to say that the backlog problem is getting worse," Astrue said. "The backlog problem has gotten dramatically better."

Patricia L. Foster said she was working as a nurse in a hospital in Columbia, S.C., in 2005 when she was attacked by a patient who was suffering from a mental illness. Foster, 64, said she injured her neck so

bad she had a plate inserted. She said she also suffers from post-traumatic stress disorder.

Foster was turned down twice for Social Security disability benefits before finally getting them in 2009, after hiring an Illinois-based company, Allsup, to represent her. She said she was awarded retroactive benefits, though the process was demeaning.

"I have to tell you, when you're told you cannot return to nursing because of your disability, you don't know how long I cried about that," Foster said. "And then Social Security says, 'Oh no, you don't qualify.' You don't know what that does to you emotionally. You have no idea."

WASHINGTON (AP) — A look at Social Security's disability program:

About 13.6 million people receive federal disability benefits.

—7.6 million receive Social Security disability.

—4.4 million receive Supplemental Security Income.

—1.6 million receive both.

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Social Security disability:

—Reserved for people with a substantial work history.

—Average monthly payment: \$927

—Financing: A portion of Social Security payroll taxes (the rest goes to the retirement fund).

—Payroll taxes collected for disability program in 2010: \$93 billion.

—Total benefits paid in 2010: \$124 billion.

—Assets in Social Security disability trust fund at end of 2010: \$180 billion.

—Year when trust fund projected to be exhausted: 2017.

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Supplemental Security Income:

—Reserved for the very poor.

—Average monthly payment: \$500.

—Maximum monthly payment: \$674 for individuals, \$1,011 for couples.

—Many states provide additional payments.

—Financing: General revenue funds.

—Total benefits paid in 2010: \$48 billion.

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Sources: Social Security Administration; Congressional Budget Office.