



# *Health*

2024 SOA MEETING





# Social Security Disability Insurance Update

Daniel D. Skwire, FSA, MAAA

Stephen C. Goss, ASA, MAAA  
Michael L. Stephens, ASA

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# SOA Antitrust Compliance Guidelines

Active participation in the Society of Actuaries is an important aspect of membership. While the positive contributions of professional societies and associations are well-recognized and encouraged, association activities are vulnerable to close antitrust scrutiny. By their very nature, associations bring together industry competitors and other market participants. The United States antitrust laws aim to protect consumers by preserving the free economy and prohibiting anti-competitive business practices; they promote competition. There are both state and federal antitrust laws, although state antitrust laws closely follow federal law. The Sherman Act, is the primary U.S. antitrust law pertaining to association activities. The Sherman Act prohibits every contract, combination or conspiracy that places an unreasonable restraint on trade. There are, however, some activities that are illegal under all circumstances, such as price fixing, market allocation and collusive bidding.

There is no safe harbor under the antitrust law for professional association activities. Therefore, association meeting participants should refrain from discussing any activity that could potentially be construed as having an anti-competitive effect. Discussions relating to product or service pricing, market allocations, membership restrictions, product standardization or other conditions on trade could arguably be perceived as a restraint on trade and may expose the SOA and its members to antitrust enforcement procedures.

While participating in all SOA in person meetings, webinars, teleconferences or side discussions, you should avoid discussing competitively sensitive information with competitors and follow these guidelines:

- **Do not** discuss prices for services or products or anything else that might affect prices
- **Do not** discuss what you or other entities plan to do in a particular geographic or product markets or with particular customers.
- **Do not** speak on behalf of the SOA or any of its committees unless specifically authorized to do so.
- **Do** leave a meeting where any anticompetitive pricing or market allocation discussion occurs.
- **Do** alert SOA staff and/or legal counsel to any concerning discussions
- **Do** consult with legal counsel before raising any matter or making a statement that may involve competitively sensitive information.

Adherence to these guidelines involves not only avoidance of antitrust violations, but avoidance of behavior which might be so construed. These guidelines only provide an overview of prohibited activities. SOA legal counsel reviews meeting agenda and materials as deemed appropriate and any discussion that departs from the formal agenda should be scrutinized carefully. Antitrust compliance is everyone's responsibility; however, please seek legal counsel if you have any questions or concerns.

# Presentation Disclaimer

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# Agenda

- Background
  - Social Security program and composition; types of disability benefits
  - Definition of disability
  - Application and decision process
- Historical experience
- Projections and thoughts for the future

# Social Security Program

- Social Security is comprised of two major benefits programs
  - Old Age and Survivors Insurance (OASI): Retirement and survivor benefits
  - Disability Insurance (DI): Disability benefits
- Disability benefits payable under both, but primarily DI
  - DI is primarily disability benefits, along with benefits to certain dependents
  - OASI pays disability benefits to several relatively small groups (widows, adult children)
  - Disabled workers “convert” to retired worker status upon attainment of Normal Retirement Age, and are no longer counted as disabled

# Disability Benefit Types

- Social Security Disability
  - Disabled workers – insured for benefits on their own earnings history
    - Fully insured + generally need 20 QCs out of the last 40 quarters (ages 31+)
    - Reclassified as retired workers upon attainment of NRA
    - 7.2 million, 84% of disabled beneficiaries in 5/2024
  - Disabled adult children – at least age 16 with a disability beginning before age 22
    - Children of a beneficiary entitled to Social Security (retired or disabled worker)
    - Surviving children of a deceased worker who had the appropriate insured status
    - 1.2 million, 13% of all disabled beneficiaries in 5/2024
  - Disabled widow(er)s – at least age 50, survivor of a deceased spouse and disabled
    - 0.2 million, 2% of all disabled beneficiaries in 5/2024

# Definition of Disability

- Inability to engage in substantial gainful activity (SGA) due to a medically determinable impairment expected to result in death or last a continuous period of at least 12 months
  - Includes mental and physical impairments
- SGA = \$1,550 per month in 2024. Adjusted by average wages each year
- Working at or above SGA generally results in a finding of not disabled at application
  - Post-entitlement: Periodic reviews to ensure beneficiaries still meet the definition of disability (based on medical improvement) + rules regarding working at or above SGA are different



# Application Process

- File an application for benefits:
  - At any of SSA's 1,300 field offices (FOs)
  - Over the telephone through the 800-number system
  - Over the internet (for most Social Security claimants)
- FOs/PCs evaluate whether the claimant is
  - Working at SGA
  - Insured for benefits (for Social Security disabled worker benefits)
- If FOs do not deny a claim, gather medical evidence and forward to claimant's state Disability Determination Services (DDS)
  - Responsible for determining if applicant is disabled
  - Each state has at least one DDS, some have multiple

# Decision Process

- Five-step sequential evaluation process
  - Step 1: Working at or above SGA?
  - Step 2: Impairment severe?
  - Step 3: Impairment meets/equals listing of impairments?
    - Severe impairments that generally preclude work: ALS, cancer, heart failure, etc.
  - Step 4: Perform past relevant work?
    - As performed by applicant
  - Step 5: Adjust to performing other work in the national economy?
- Application can be denied at any step except 3
- Application can only be allowed (determined disabled) at steps 3 and 5

# Appeals Process

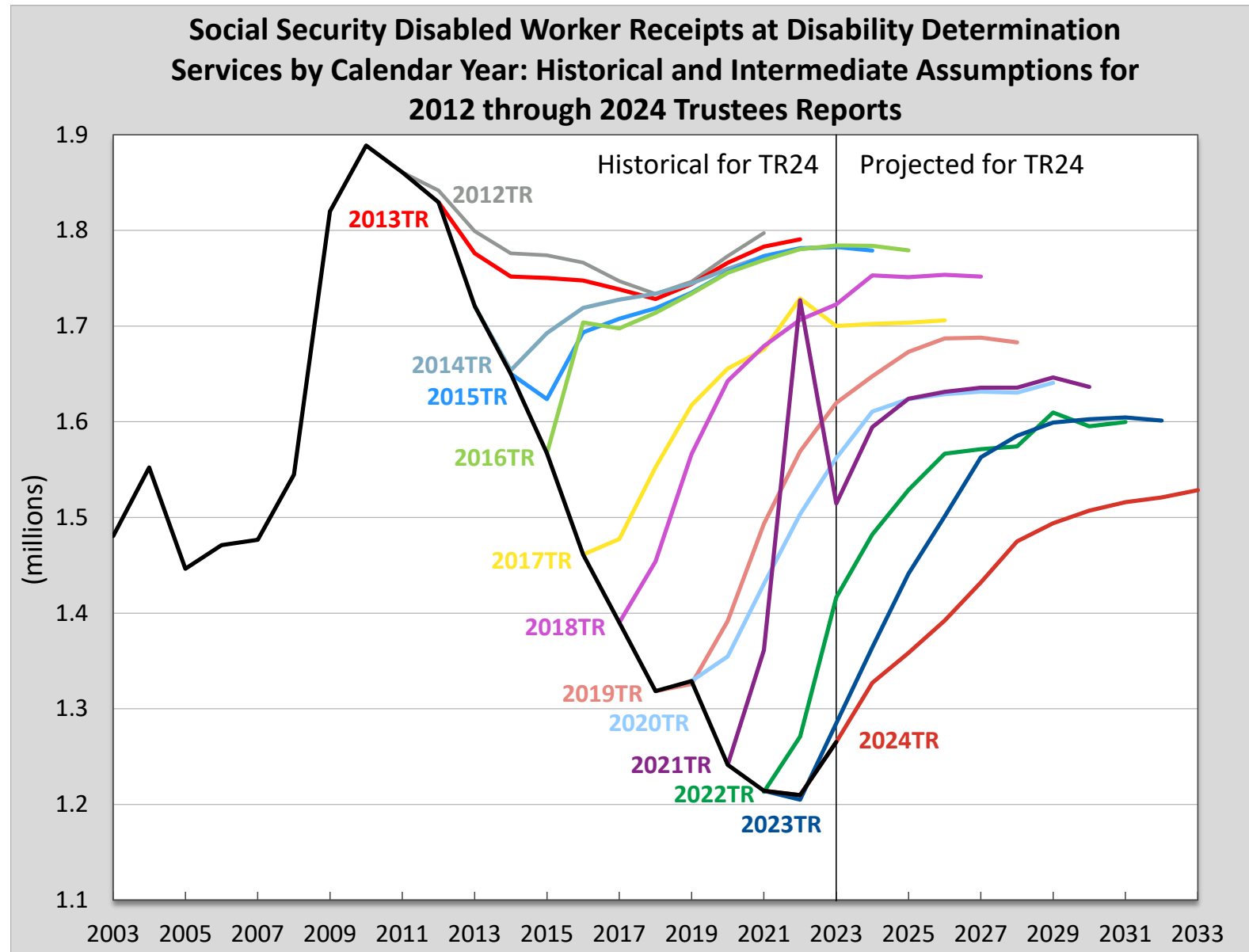
- For denials, there is an administrative appeals process
  - Reconsideration at the DDSs
  - Hearing before an Administrative Law Judge
  - Appeals Council
- If all appeals are made without success, claimant can appeal to the Federal Court system

# Social Security Disability Insurance

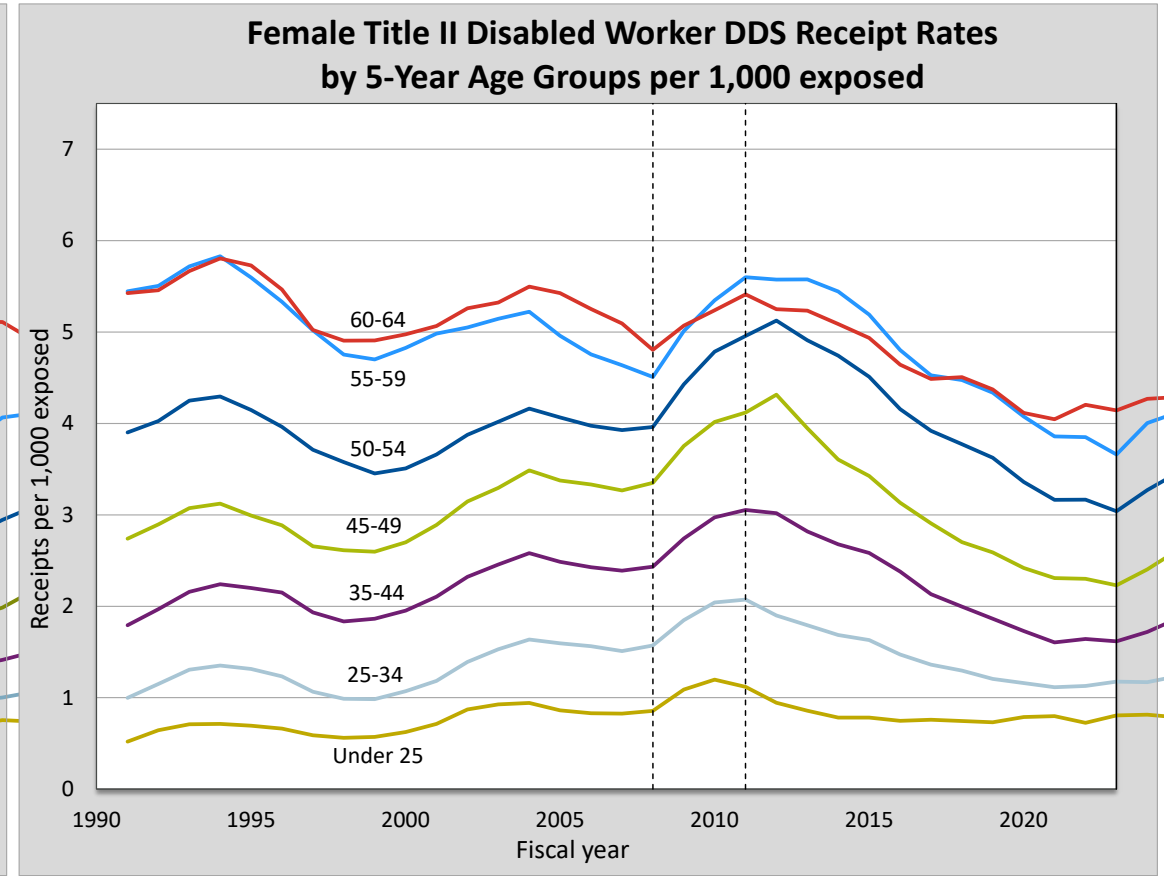
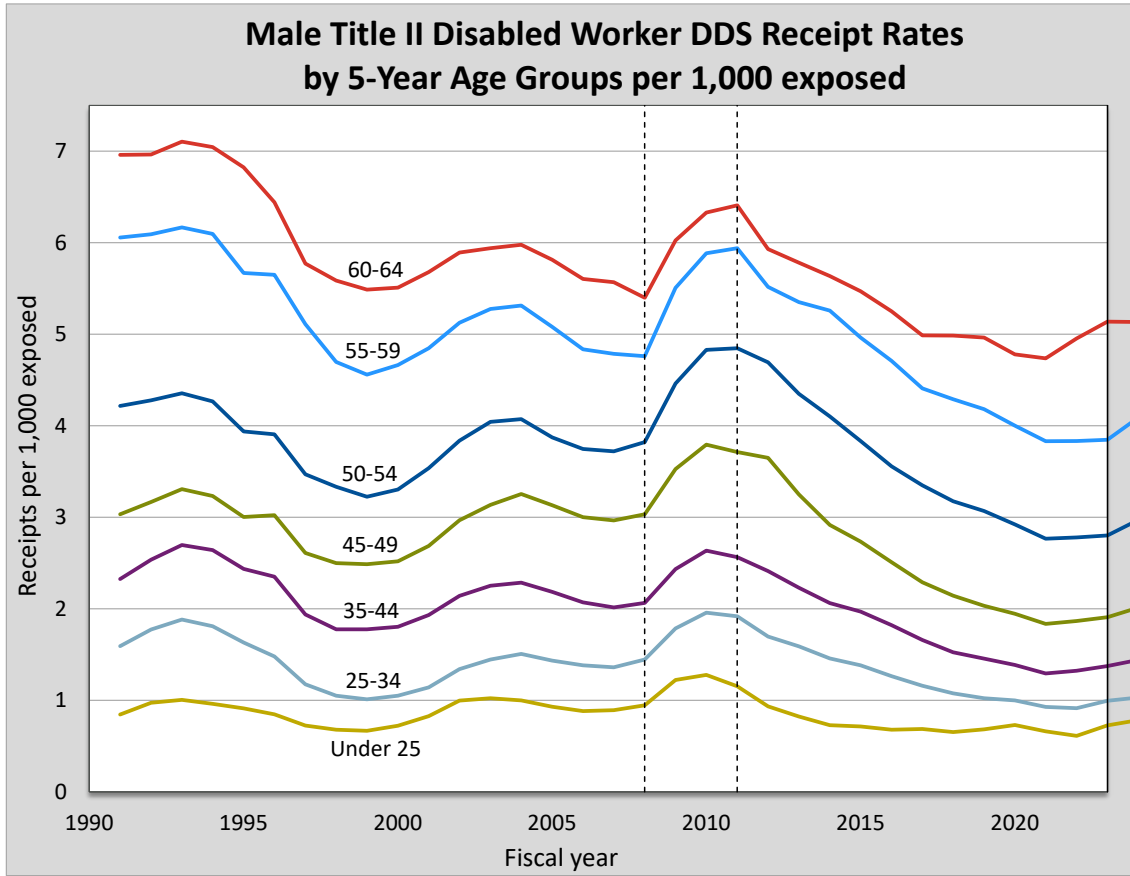
- Disability applications and incidence rates peaked in the great recession around 2010, have fallen dramatically to historically low levels for 2016 through 2019
- And dropped further during the pandemic; but increased in 2023
- Incidence rates dropped through 2019 to less than 4.0 per thousand—the drop in incidence appears to be more than just recovery, but a fundamental shift
- COVID-19 pandemic—further reductions in disability applications
- **The Trustees have reduced the ultimate disability incidence rate: 5.4 per thousand to 5.2 for the 2019 Trustees Report, 5.0 for the 2020 TR; 4.8 for the 2022 TR; and 4.5 for the 2024 TR**

# Applications for Disability Benefits Remain Near Historically Low Level

- At the peak of the last economic cycle in 2007, applications were low, but increased rapidly in the 2008 recession from 1.5 million in 2007 to 1.9 million in 2010.
- In 2017 through 2022, applications have dropped below the 2007 level.
- Applications increased in 2023 but remain near historically low levels.

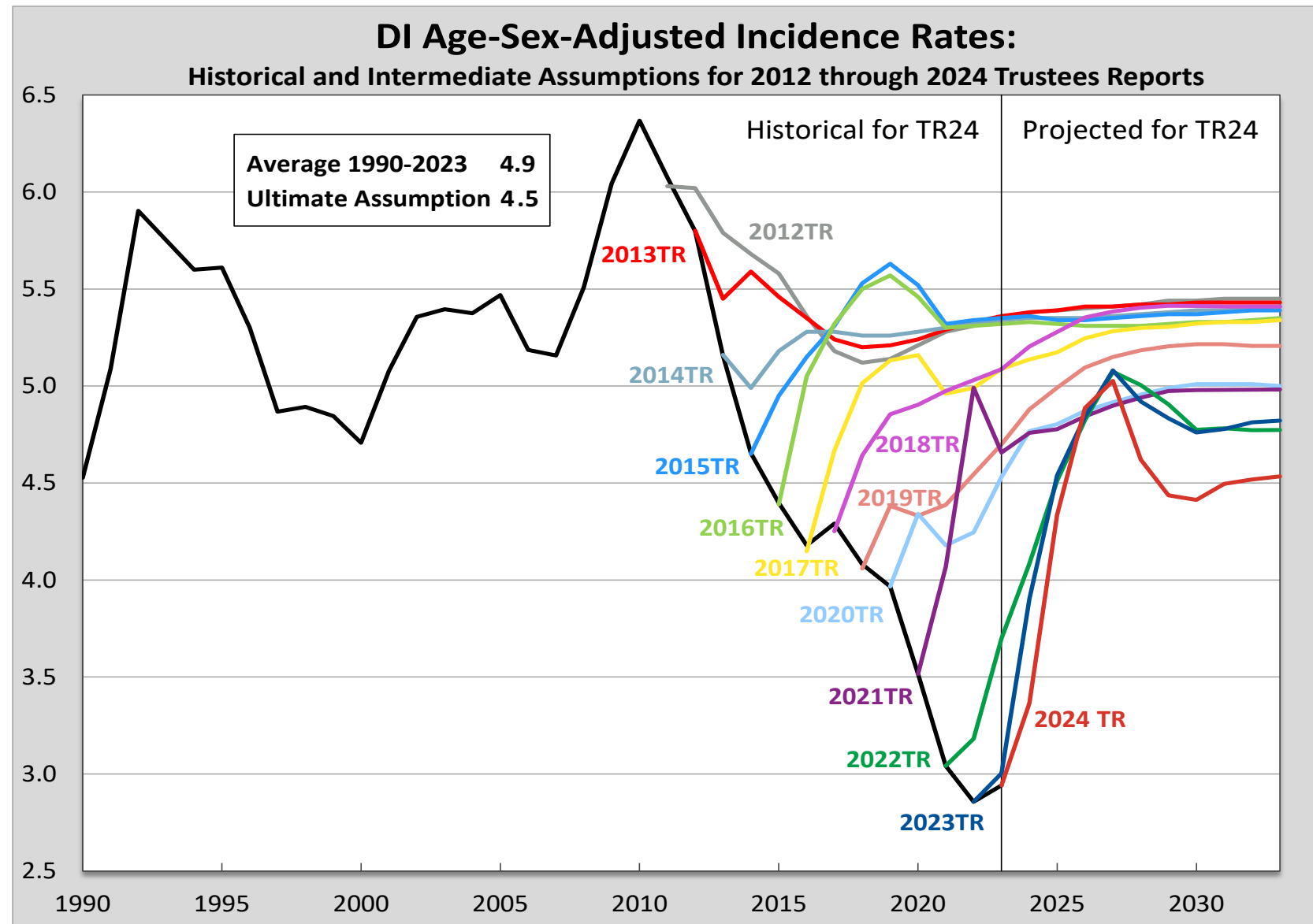


# Disabled Worker Receipt Rates (at DDS) have Been Dropping Since 1990 at Older Ages, and at All Ages Since 2010



# Disability Incidence Rate Also Remains Near Historically Low Level

- DI disabled worker incidence rate rose sharply in the 2008 recession and has declined since the peak in 2010 to extraordinarily low levels in 2016 through 2022.
- Incidence rates increased slightly in 2023 and are projected to surge in order to reduce pending claims (assuming increased staffing).
- *Note recent rise in pending claims due to limited staffing: see Actuarial Note 163.*



# Past and Potential Future Claims Pending— Staffing Is Critical

Figure E.—Scenario 1: Disability Claims Pending (OASDI and/or SSI) Under Current Policy at End of Year Initial Claims as in PB25, Maintain DDS and ALJ Staffing with Increased Disability Examiner Retention and Increased ALJ Productivity

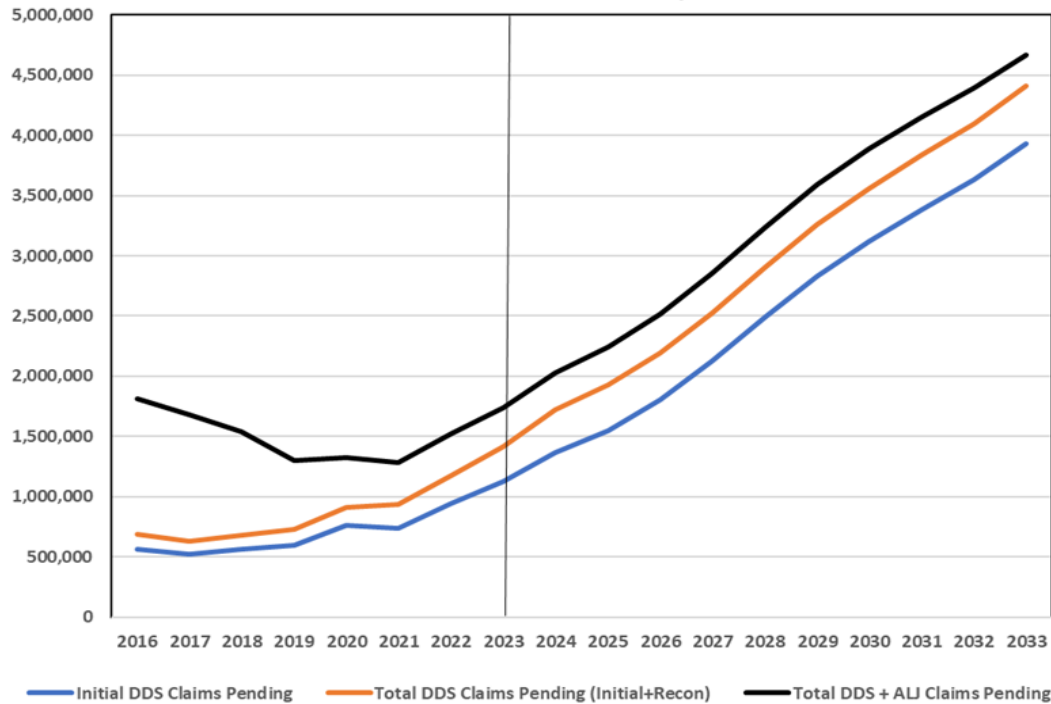
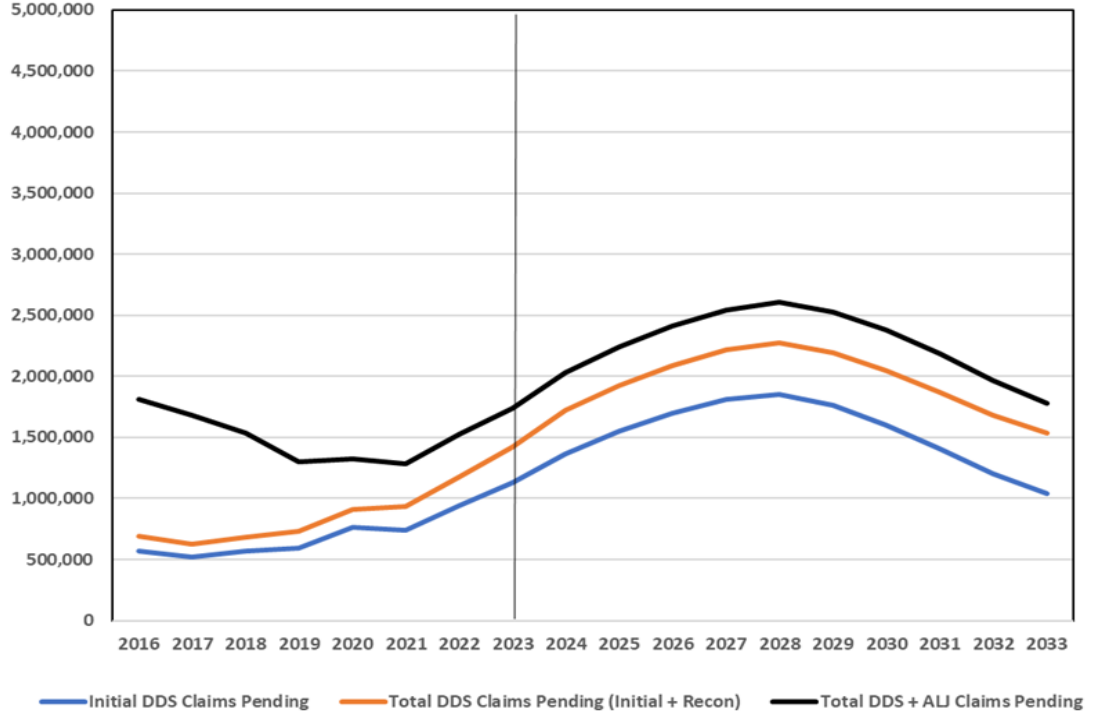


Figure G.—Scenario 3: Disability Claims Pending (OASDI and/or SSI) Under Current Policy at End of Year Initial Claims as in PB25, Increase DDS and ALJ staffing 20% by 2029 with Increased Disability Examiner Retention and Increased ALJ Productivity

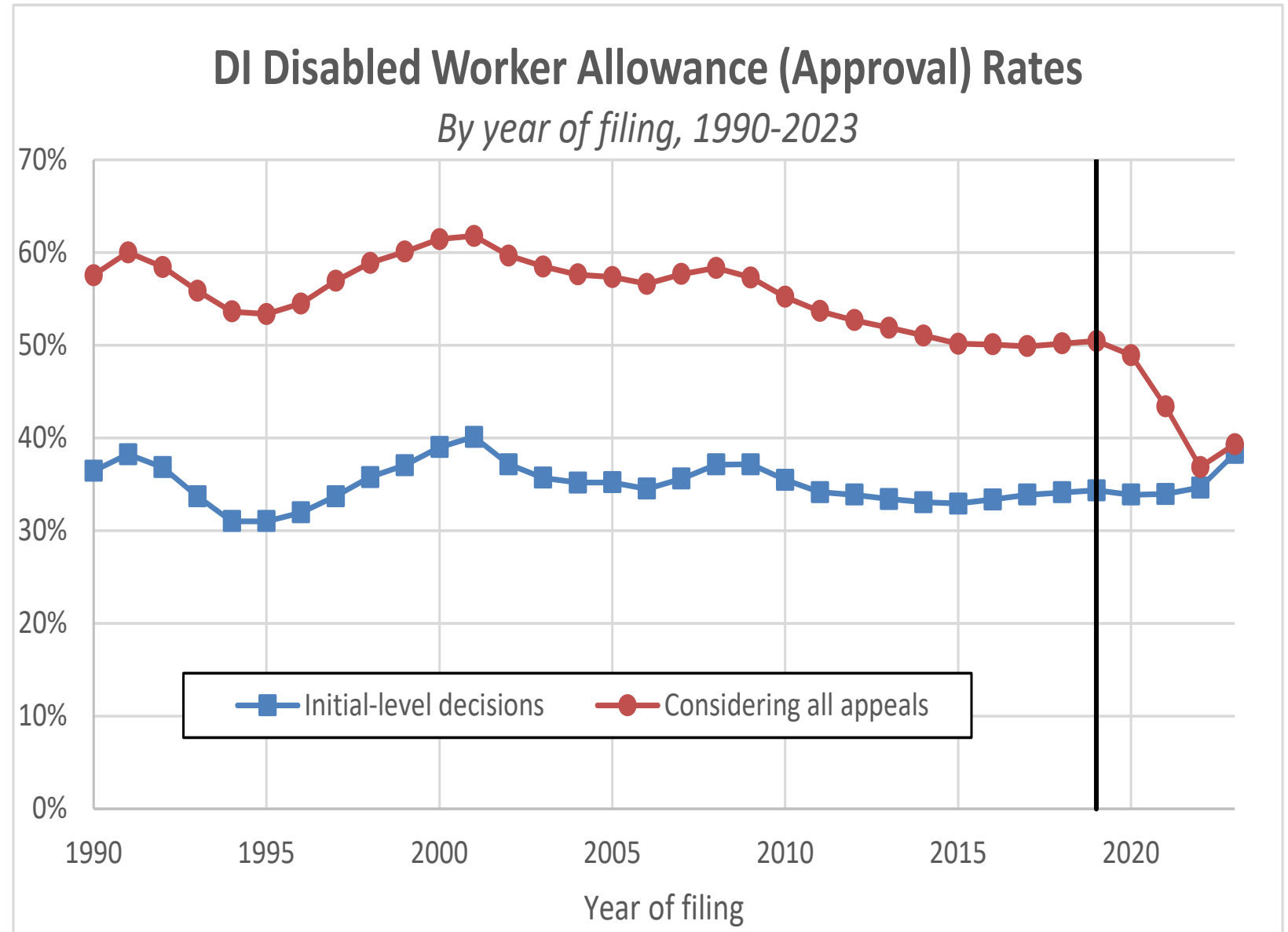


See Actuarial Note 163 at [www.ssa.gov/OACT/NOTES/n2020s.html](http://www.ssa.gov/OACT/NOTES/n2020s.html)



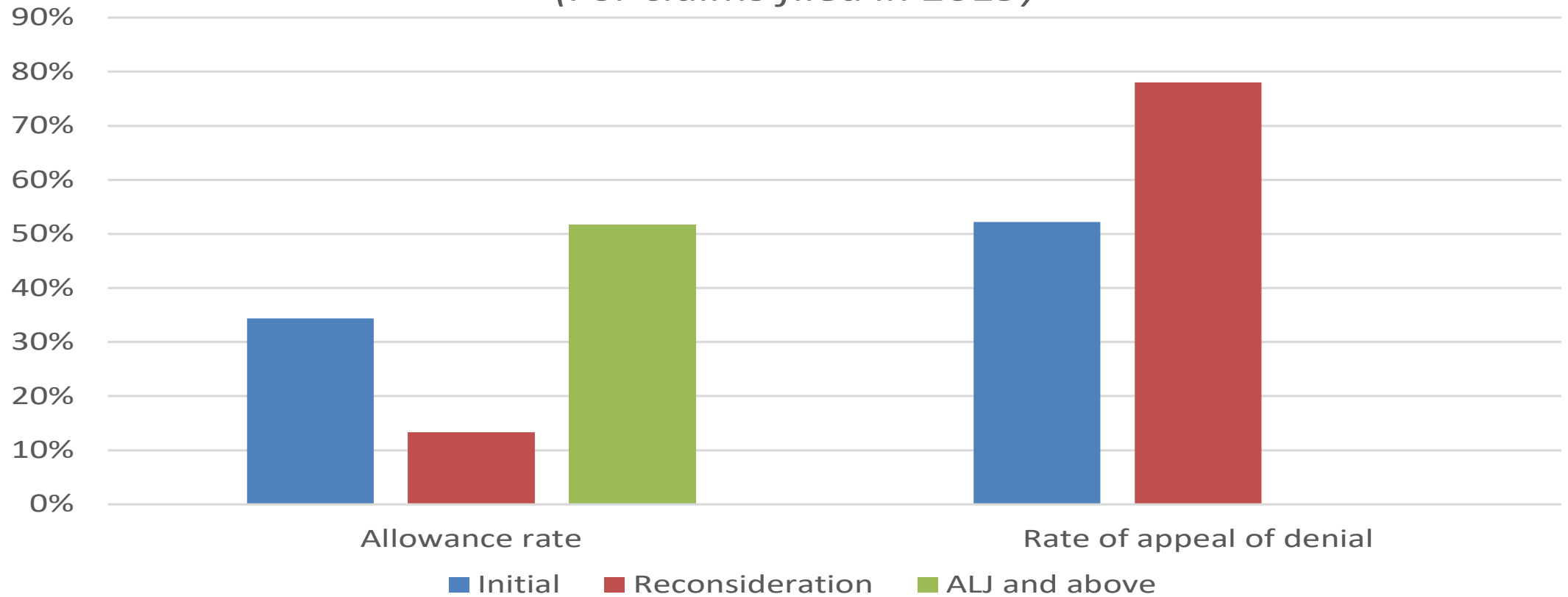
# Gross Disability Allowance Rates Have Been Somewhat Stable

- Changes in rates due to changes in:
  - Age-sex-distribution of applicants
  - Medical criteria (listings, etc.)
  - Decision process (prototype)
- Convergence of initial and ultimate rates due to administrative changes, quality controls, and hiring at ALJ level



# Disposition of Applications – 2019 Filing Cohort

## DI DIB Disposition of Application Experience *(For claims filed in 2019)*

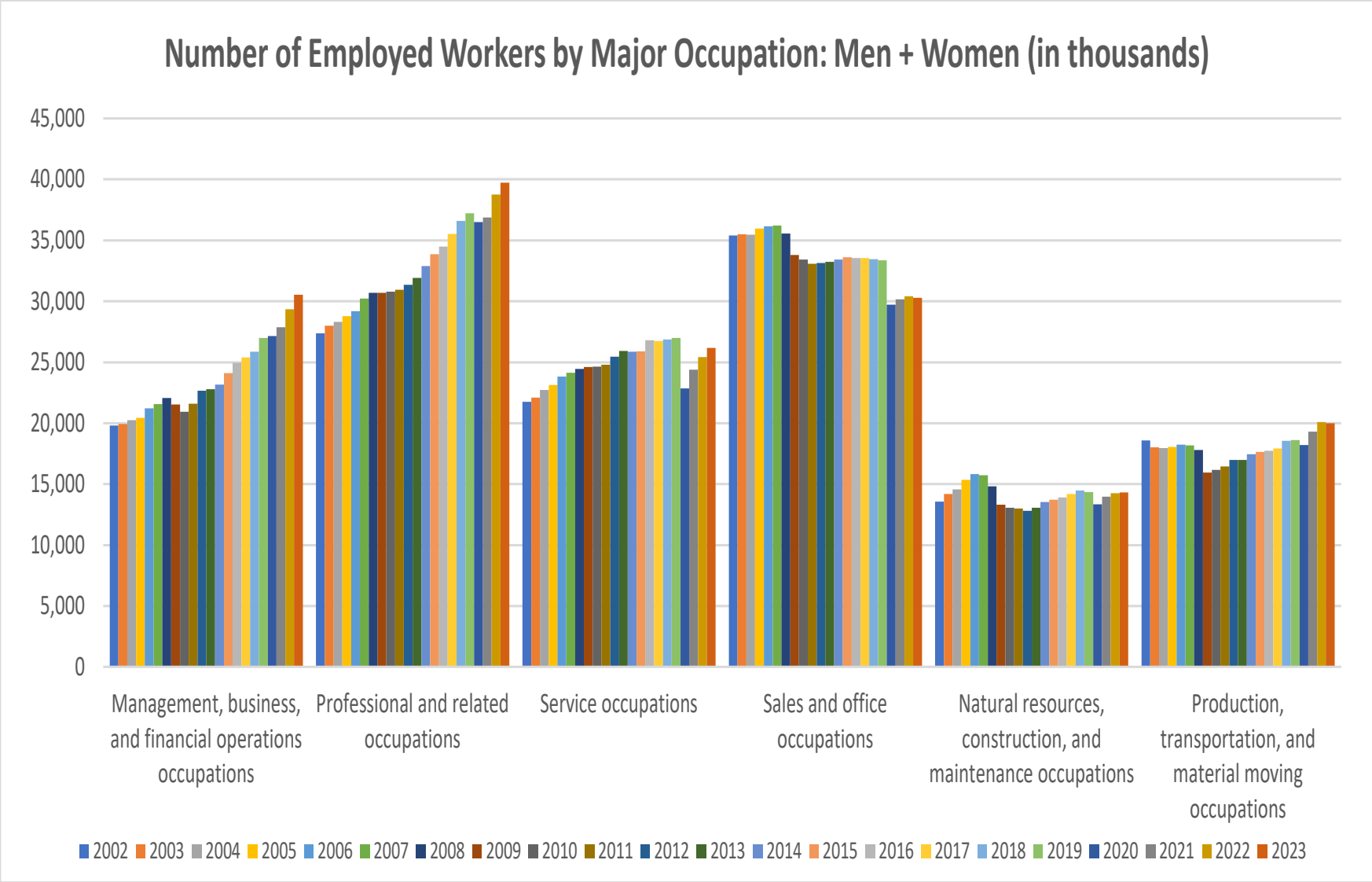


# Recent Favorable Disability Incidence Experience

- Applications and incidence are at historic low levels
- Numbers of beneficiaries have been declining since 2013 and are well below earlier expectations that fully reflected demographic changes
- Prevalence rates have peaked and are dropping
- What about the future—are the declines temporary, or the new state?
- Possibilities:
  - Economy and jobs—*temporary?*
  - *Increased labor demand due to aging of the population*
  - Drop in hearings allowance rates—*temporary?*
  - Increased access/affordability of health care (ACA)
  - Employer accommodations (ADA)
  - Field office consolidations
  - Something more fundamental? Changing nature of work?

# Changing Nature of Work: Trends in Employment by Occupation

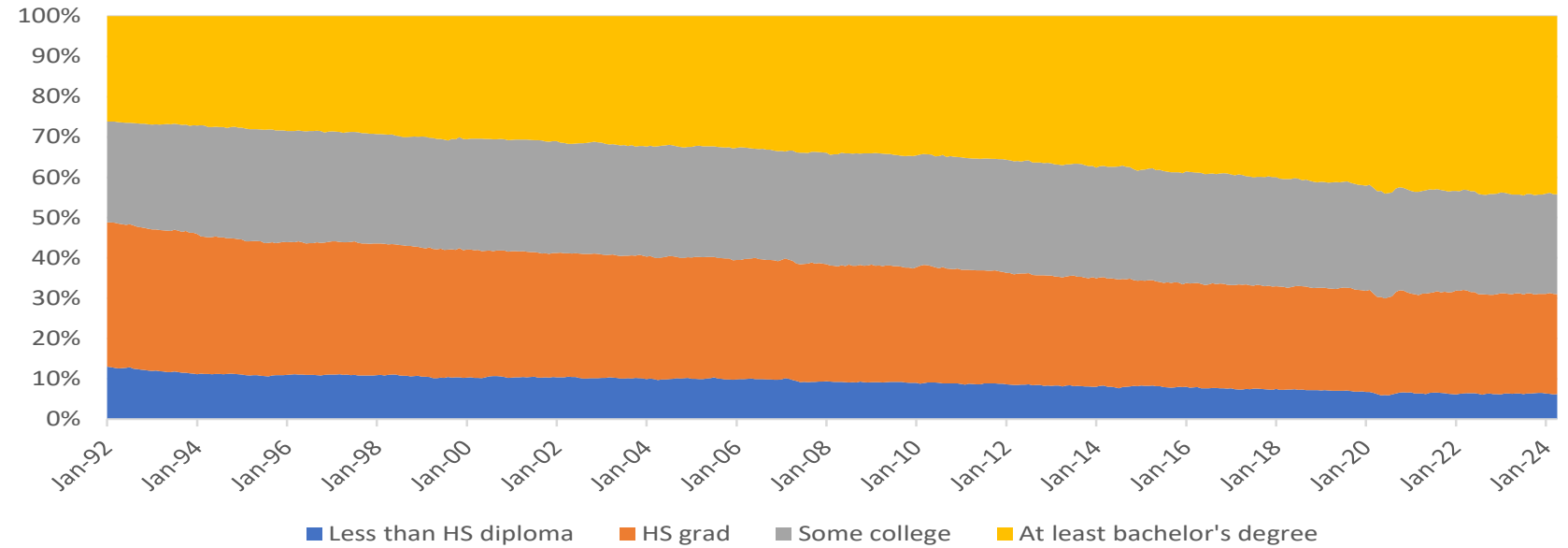
- Employment effects in all areas in 2020; share for management and professional, highly paid, increased (BLS cpsaat09)
- Will trends of 2002-23 return, and continue?
- Will these shifts continue with technology, automation, and increasing education levels?
- Might increases in infrastructure spending change these trends?
- Also, changes in how job-specific tasks are performed



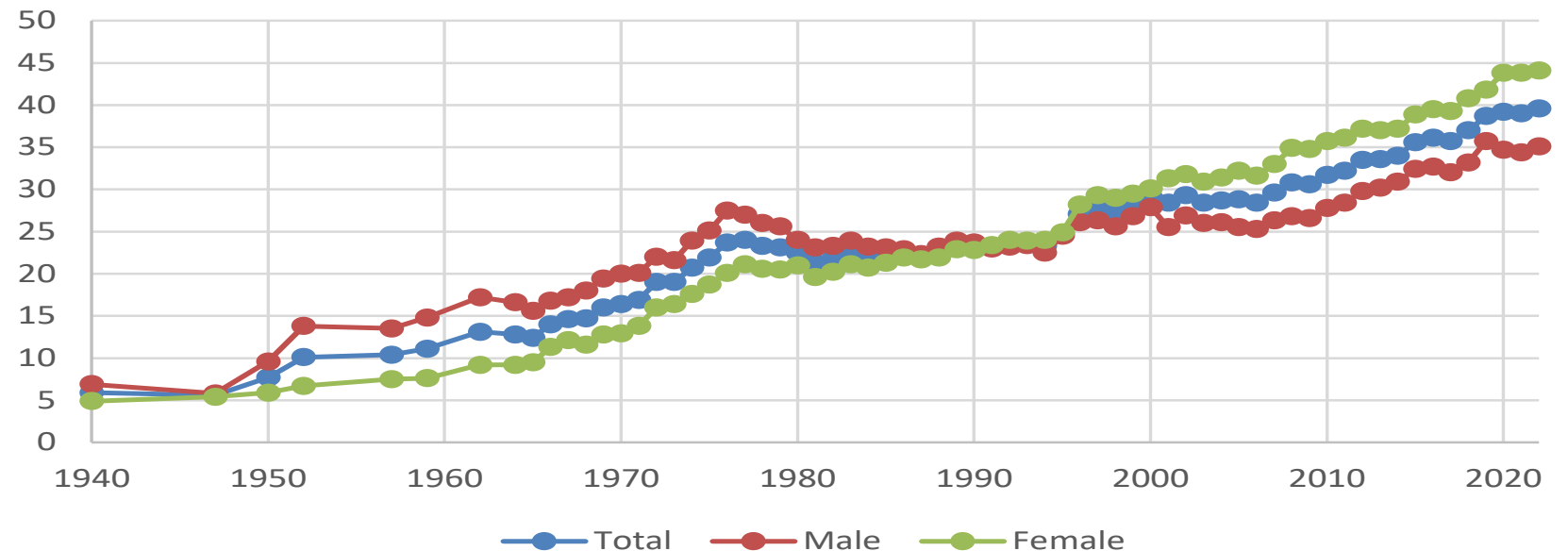
# Changing Educational Attainment

- Increasing share of labor force has at least a bachelor's degree – around 25 percent in 1992 to about 45 percent in 2024
- By birth cohort, for those born in the early 1900s, about 5 percent had at least 4 years of college, increasing to 40 percent for those born in the 1990s
- Women have increased attainment more than men

Share of Civilian Labor Force by Educational Attainment, 25 and older

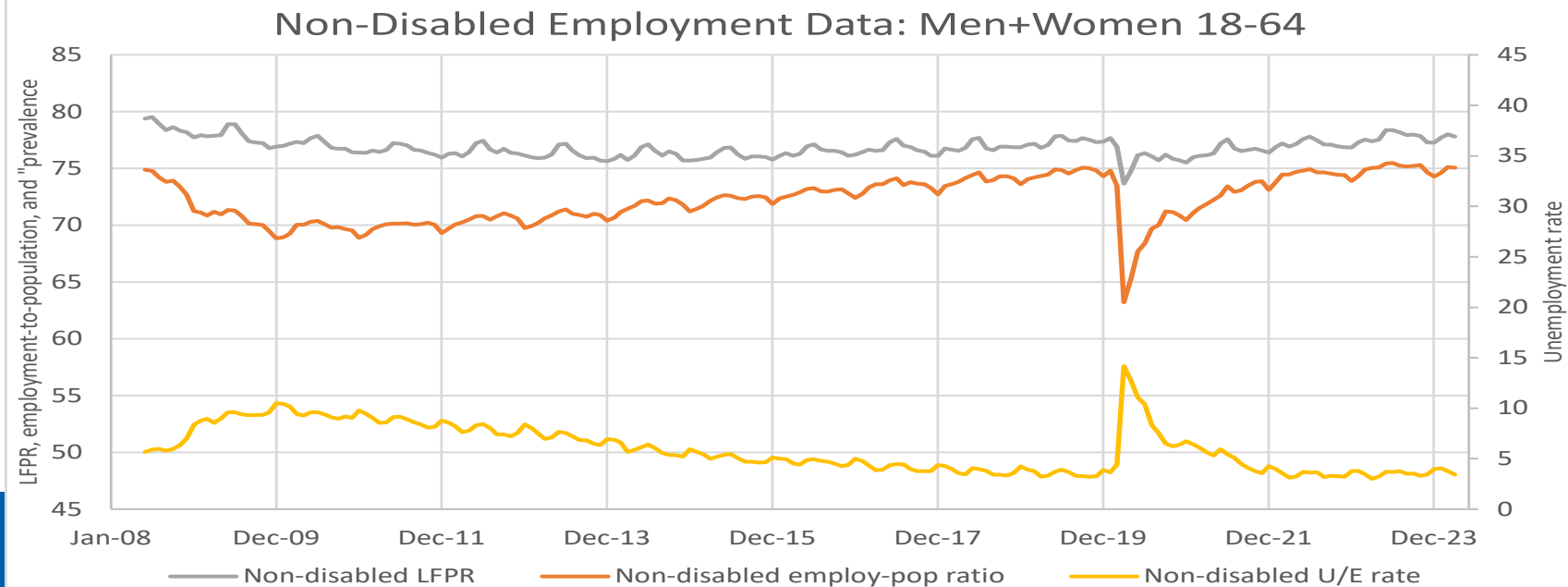
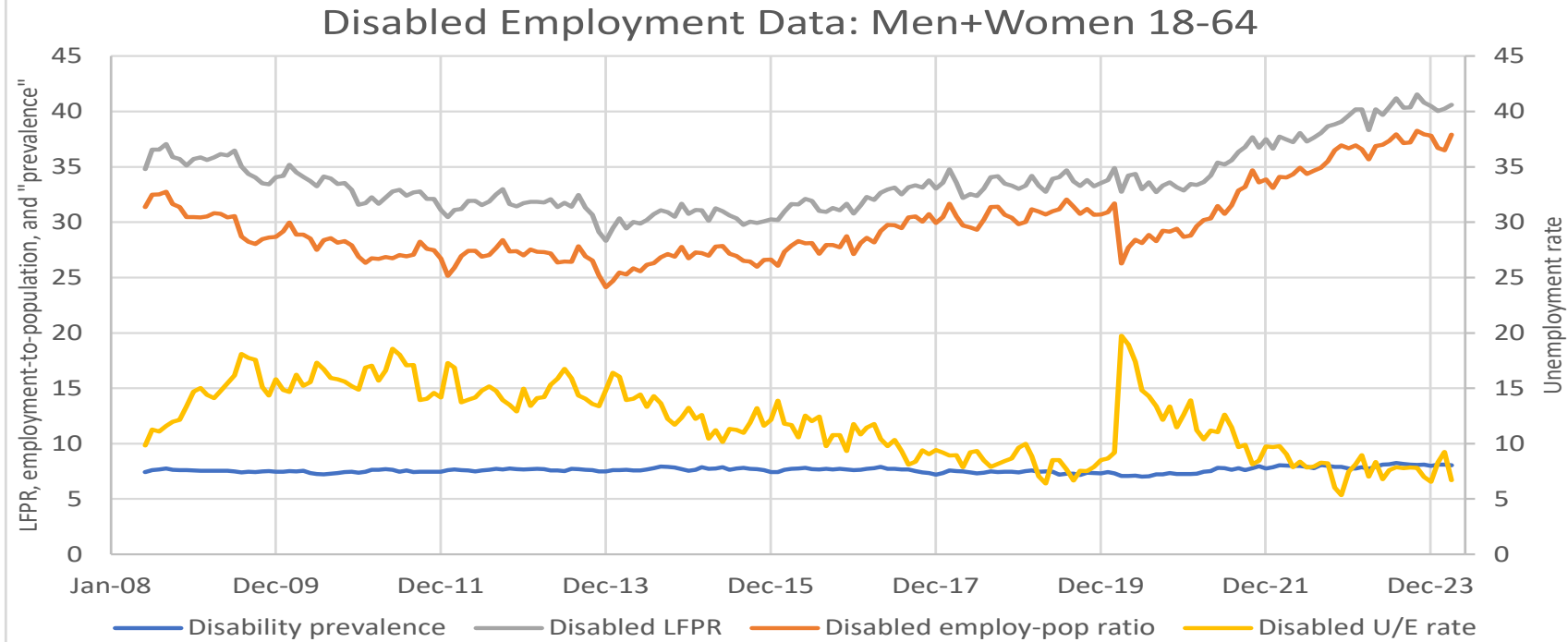


Percent of 25-29 year olds with at least 4 years of college



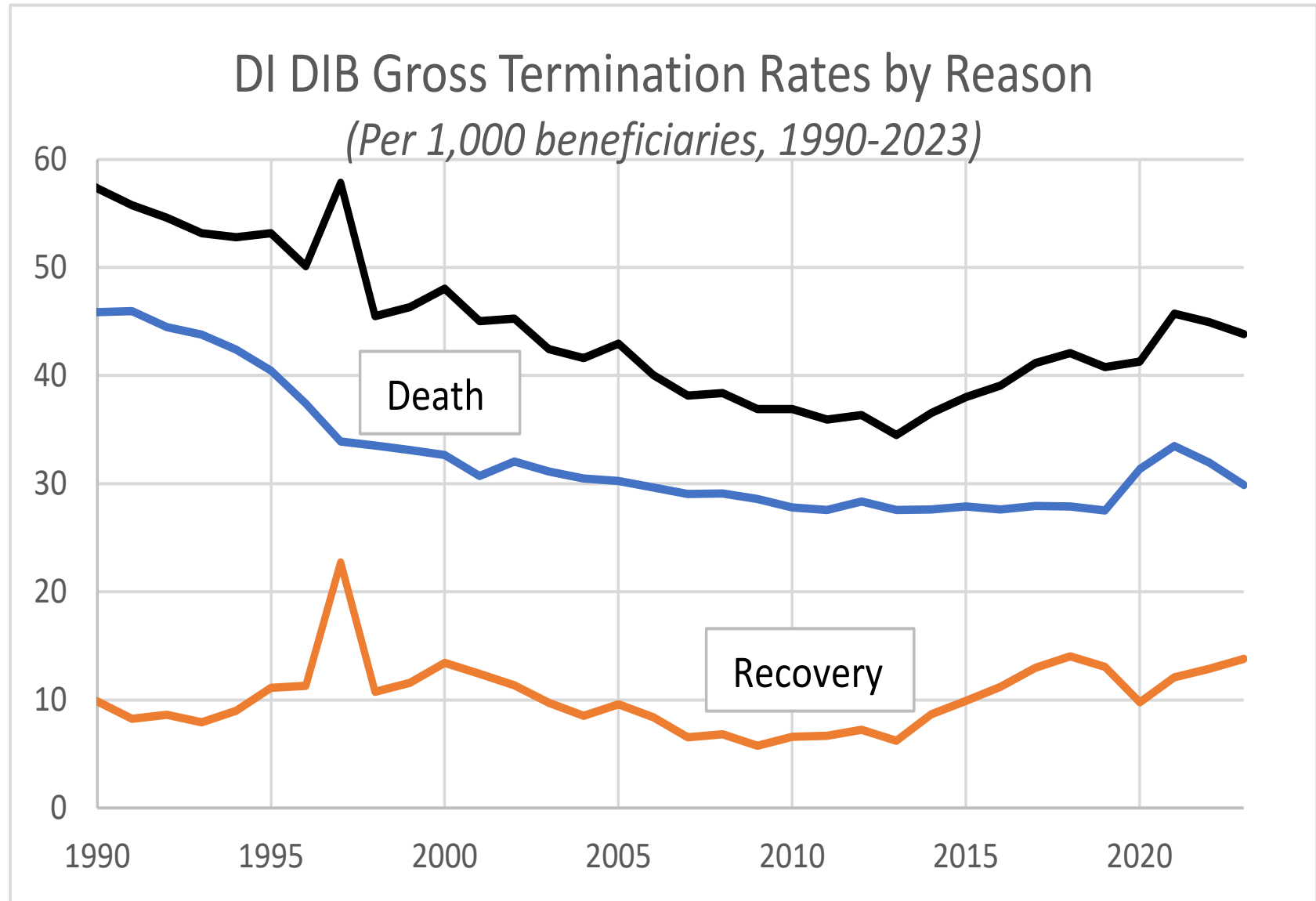
# Employment of the Disabled

- Employment of individuals self-identifying as disabled appears to be gradually rising from low rates experienced in 2013-15.
- Current rates of employment are at the highest levels since the beginning of 2008. Will this continue to increase or level out?
- Note that this is self-identification of disability by CPS survey respondents, so the definition of disability may greatly differ from what is used for the OASDI program.



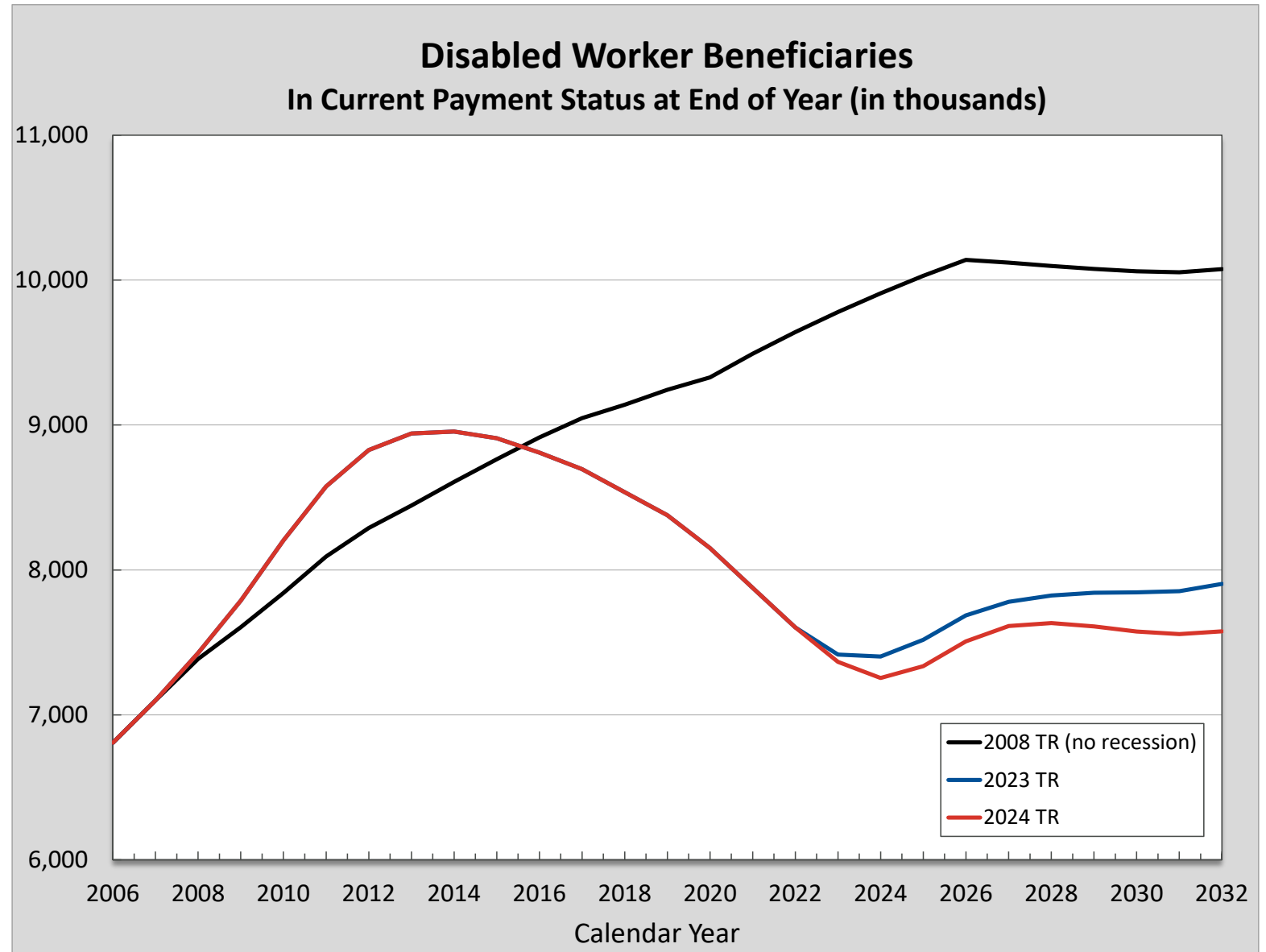
# Termination Experience

- Recovery rates:
  - Medical improvement related to ability to work. Periodic reviews subject to Congressional appropriations.
  - Work during entitlement above SGA; special rules allow beneficiaries to test ability to work without loss of benefits
- Death termination rates declined significantly through the 1990s, and declined at slower rate into the early 2010s
- Total includes other smaller reasons for termination not shown



# Fewer Disabled Worker Beneficiaries

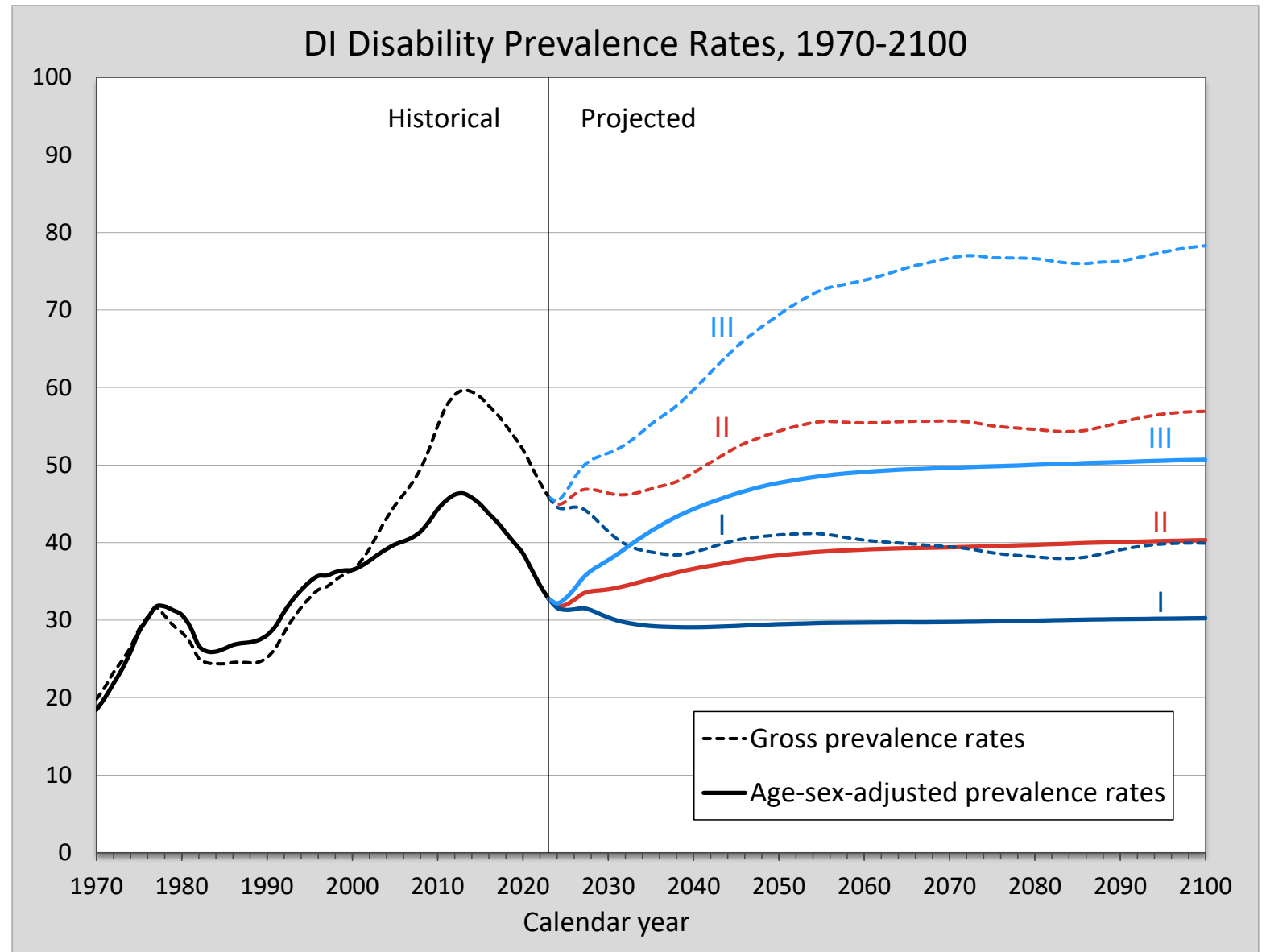
Fewer now and in near term based on recent applications and incidence rates.





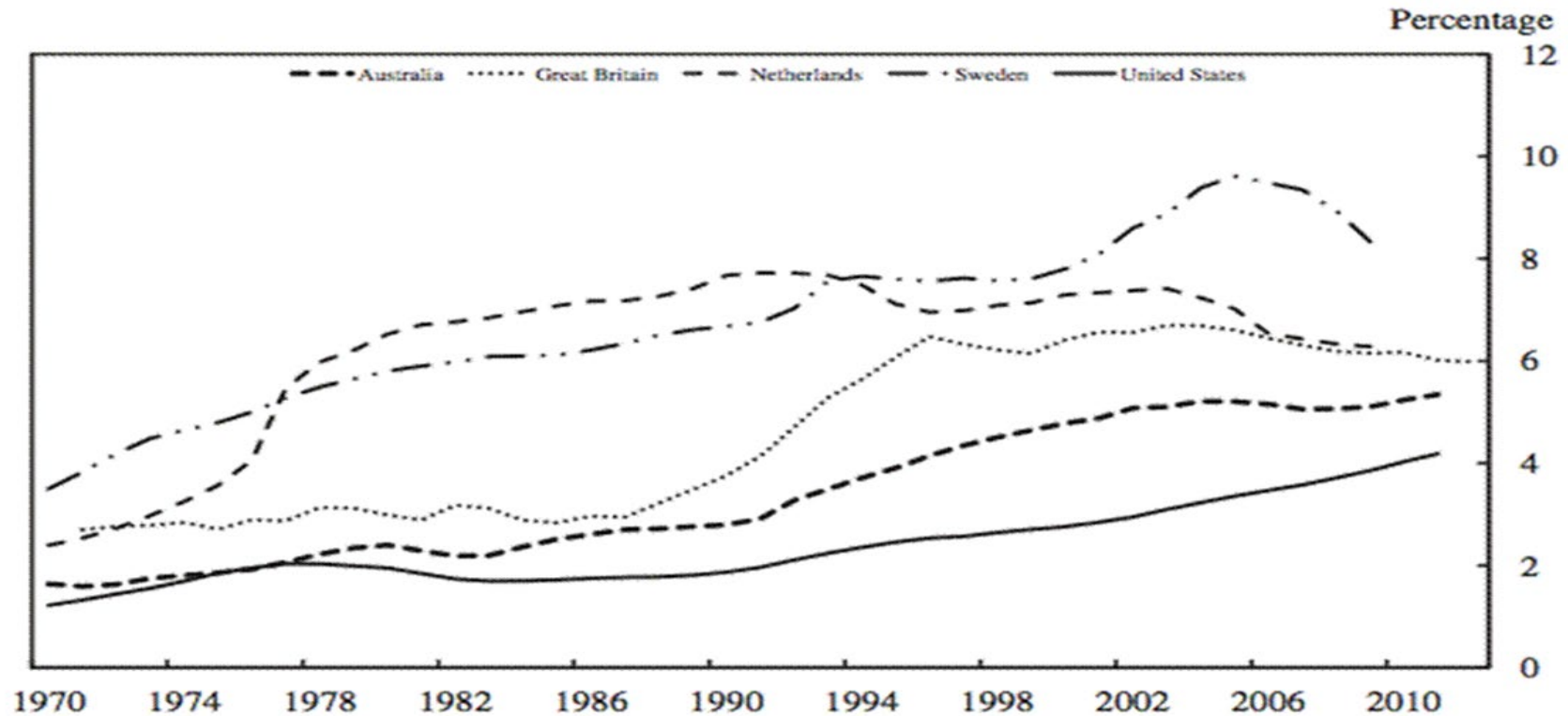
# Disabled Worker Prevalence Rates

- Will prevalence recover to a level above that seen before the 2007-09 recession?
- The TR projections assume the incidence rate will ultimately rise to 4.5 per thousand, from the levels seen since 2016 of between 2.9 and 4.3 per thousand.



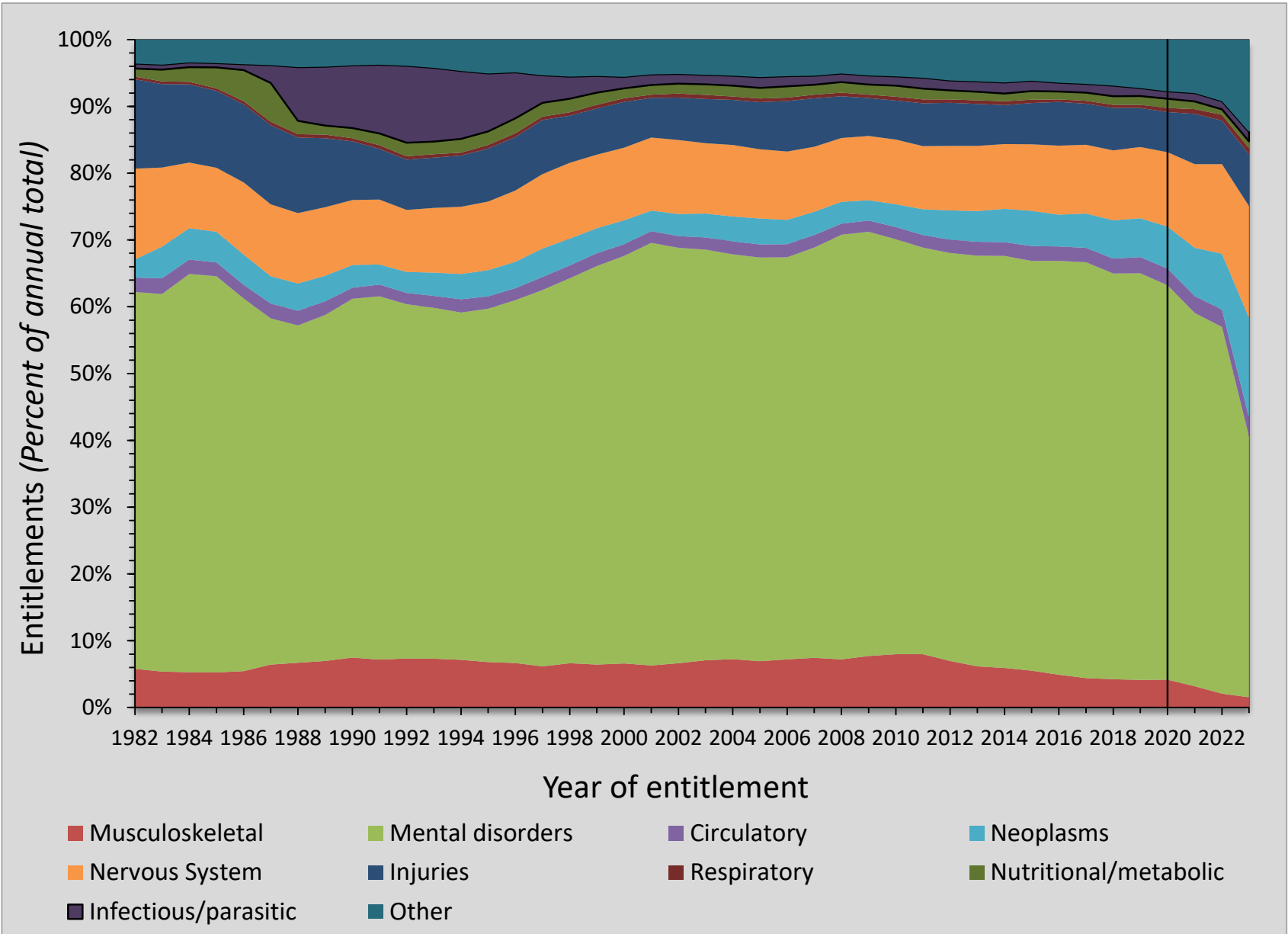
# How DI Compares to Other Countries – Disabled Worker Gross Prevalence (Burkhauser/Daly 2014)

Growth in disability reciprocity across countries

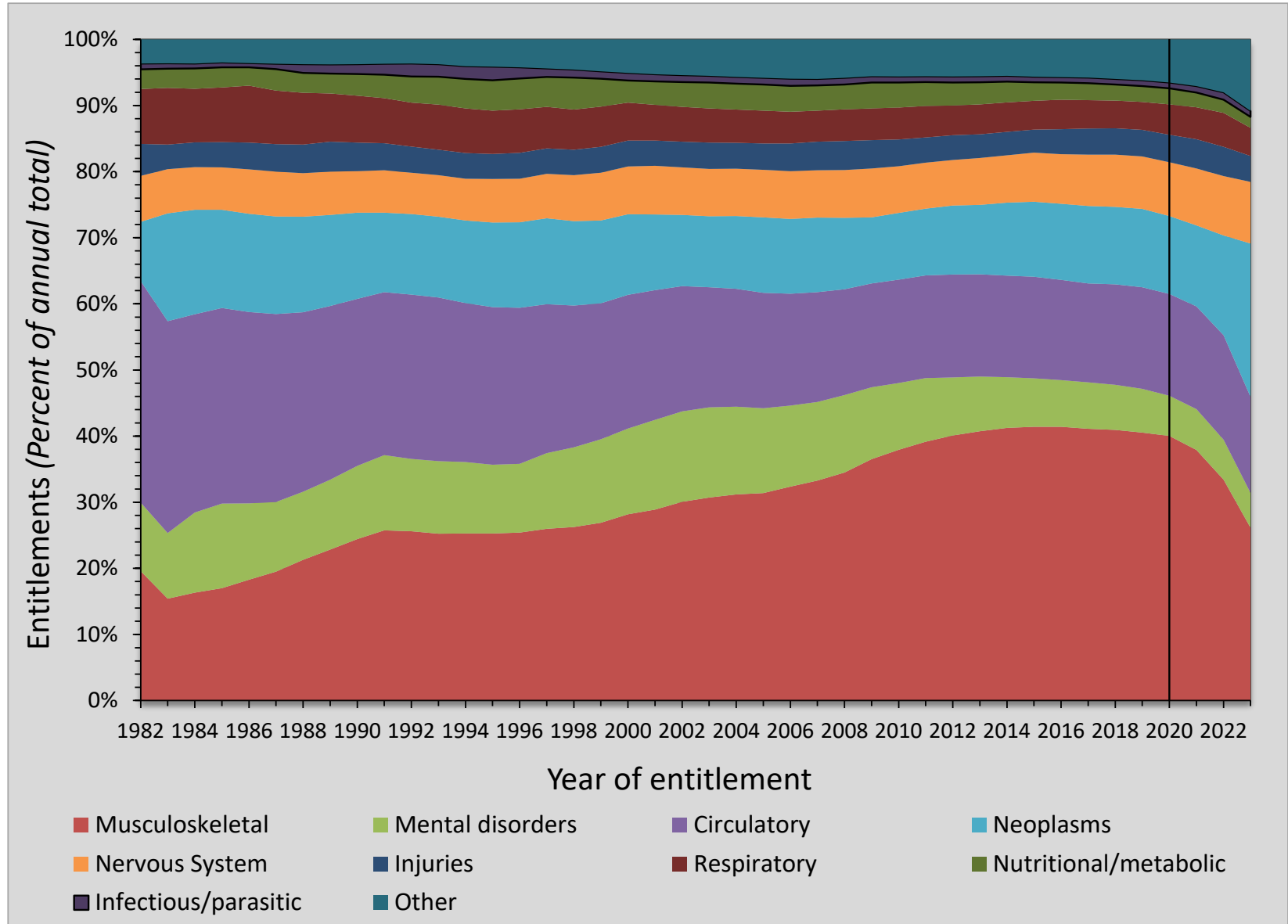


Source: Social Security Administration, US Census Bureau, Australian Government Department of Social Services, Australian Bureau of Statistics, Department of Work and Pensions, Office for National Statistics, Statistics Sweden and Swedish Social Insurance Agency yearbooks, Statistics Netherlands, and the Institute of Employee Benefit Schemes

DIBs Awarded Through January 2024 by Year of Entitlement and Primary Diagnosis Code: **Men and Boys Under Age 30 at Entitlement**



DIBs Awarded Through January 2024 by Year of Entitlement and Primary Diagnosis Code:  
**Men Age 50-59 at Entitlement**



# Resource information

2024 Social Security Trustees Report: <https://www.ssa.gov/OACT/TR/2024/index.html>

Actuarial Study #125, Social Security Disability Insurance Program Disabled Worker Experience:  
[https://www.ssa.gov/OACT/NOTES/pdf\\_studies/study125.pdf](https://www.ssa.gov/OACT/NOTES/pdf_studies/study125.pdf)

2024 Trustees Report Long-Range Disability Assumption Memo:  
[https://www.ssa.gov/OACT/TR/2024/2024\\_Long-Range\\_Disability\\_Assumptions.pdf](https://www.ssa.gov/OACT/TR/2024/2024_Long-Range_Disability_Assumptions.pdf)

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