Social Security Disability Recipients to Take 21-percent Cut

In April the trustees of Social Security and Medicare announced that beneficiaries of those programs face a cut in their benefits of about 25 percent by 2033 if Congress does nothing. But buried in their report was their estimate that beneficiaries receiving disability benefits under Social Security, known as the Social Security Disability Insurance program (SSDI), will see their checks reduced much sooner — by 21 percent within four years — because of burgeoning disability claims.

Pamela Villarreal, writing for the National Center for Policy Analysis, explained that a number of factors are behind the explosion in disability claims – nearly 1 million in just the last three years — including the broadening of the definition of "disability," the expiration of unemployment benefits, the impact of the Great Recession on the jobs market, the lack of accountability by the Social Security Administration, malingering by the program's recipients, and the unwillingness of Congress to face reality.

She explained:

> Since the mid-1950s, the program has expanded and now covers workers under the age of 50, disabled spouses of deceased workers and disabled children who were never able to work.
>
> Disability now includes mental impairments as well as physical ones. But even with better treatments … few people ever leave the rolls, except through retirement.

The program, funded federally but administered by the states, is being milked by many who have run out of unemployment benefits and other resources and haven't been able to find work. At present one out of every eight working-age, nonretired individuals receive disability payments, some for "mental disorders" and "back pain." Claims for mental disorders, for instance, have more than tripled from 10 percent of cases in 1982 to 32.8 percent in 2012, with half of those based on "mood disorders" such as depression or anxiety.

Back or neck "problems" have increased by 31 percent and were the top cause of disability for 50- to 64-year olds. Depression and anxiety and other emotional problems increased by 20 percent, and now constitute one-third of all disability claims.

Once on the rolls, beneficiaries have little incentive to return to work because their disability entitles them to additional benefits such as food stamps, Medicaid, Section 8 housing, and student-loan forgiveness. As a result less than one half of one percent of those on disability ever go back to work.

The correlation between the unemployment rate and the increase in disability claims is indisputable. A study by the Organization for Economic Cooperation and Development (OECD) that covered 22 years showed that when the unemployment rate increased by one percent, disability claims applications jumped by 10 percent.

Although small relative to its bigger siblings, SSDI will outstrip its revenues no later than 2016, forcing the program to cut its benefits to the amount of revenues received. This will be the first of the entitlement programs to see serious cuts in benefits.

Oklahoma Senator Tom Coburn has tried to bring the matter up to his colleagues, with little success. He complained: “Nobody wants to touch things where they can be criticized. The fund is going bankrupt [and] then what are going to do?” Representative Paul Ryan (R-Wis.) admits that his proposed budget plan to rein in government spending doesn’t address SSDI because it’s just too small: “We’re not trying to fix every problem in American with this one document. We’re trying to prevent a debt crisis, and this [SSDI] is not a driver of our debt.”

When economist Gary North predicted with certainty that “Social Security Will Go Broke in 2010” in late December 2009, he was both right and wrong. In fact, the Social Security program began to eat into its reserves to meet its shortfall in 2010, but North was wrong in his estimate of the size of that shortfall. North estimated that payouts would exceed revenues (North’s definition of “broke”) by $25 billion. He missed it by a mile. The actual shortfall was double that, and is expected to double again — to $100 billion annually — in less than eight years.

As David John, Senior Research Fellow at the Heritage Foundation, wrote:

> The new trustees report is not based on conjecture; it is based on a firm understanding of the economy and the U.S. population. Almost every new taxpayer who will begin a career before 2033 is living today and can be counted. Similarly, all the people who will face approximately 25 percent across-the-board benefit cuts starting in the year 2033 if Congress does nothing to fix the program are alive now, and most of them are paying taxes.
>
> Social Security’s problems are based on demographics that do not change from year to year. The people who will be hurt if nothing is done to fix Social Security are not unknown people of the future: They are the nation’s children and grandchildren of today.

This is the inevitable end-game of the government’s welfare programs. The recipients of disability benefits under SSDI will be the first to suffer serious declines in their benefits. They won’t be the last.