



## Preserving Social Security for Future Generations

Since its inception in 1935, the Social Security program has provided critical economic security to the nation's retired and disabled populations and their families. The program's place in the federal budget is also significant, comprising one-fifth of all federal spending.

Because Social Security provides economic security for so many, lawmakers in Congress owe it to all Americans to ensure Social Security is solvent over the long-term. Those in Congress who truly care about the retired and disabled Americans who benefit from Social Security should enact sensible reforms now to preserve the program for the millions who depend on it.

Putting the program on a solvent path first requires a clear understanding of what challenges the program faces. And an examination of the program reveals serious reforms are needed.

For the first time since 1983, Social Security posted a deficit in 2010 – \$37 billion – and is now *permanently* running cash flow deficits. Over fiscal years 2010 to 2021, the program's cash flow deficits are projected to total \$630 billion.

### Combined OASDI Trust Funds January 2011 Baseline

By Fiscal Year, in Billions of Dollars

	2010 prelim	2011 proj	2012 proj	2013 proj	2014 proj	2015 proj	2016 proj	2017 proj	2018 proj	2019 proj	2020 proj	2021 proj
PRIMARY SURPLUS b/	-37	-45	-30	-28	-30	-31	-33	-44	-59	-77	-98	-118
OASI surplus	-6	-10	2	6	4	3	0	-11	-26	-44	-64	-83
DI surplus	-31	-36	-32	-35	-34	-34	-33	-33	-33	-33	-33	-36

The program also has a *6.5 trillion in unfunded obligations* (present value)<sup>1</sup> over the next 75-years—or \$6.5 trillion of planned benefits that Congress has no idea of how to pay for in the decades ahead. As a result, Social Security Trustees recently warned if the program is not reformed, the Social Security trust funds will be exhausted in 2036, at which point there will only be sufficient revenue to pay 77 percent of benefits.<sup>2</sup> This means *all* active beneficiaries could see their benefits reduced by 23 percent if the program is not reformed.

<sup>1</sup> The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>

<sup>2</sup> The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>

Experts also agree delaying reform is a bad deal for Americans who rely on Social Security. According to the Social Security Trustees, “The long-run financial challenges facing Social Security and Medicare should be *addressed soon*. . . . *Earlier action will also afford elected officials with a greater opportunity to minimize adverse impacts on vulnerable populations, including lower-income workers and those who are already substantially dependent on program benefits*” (emphasis added).<sup>3</sup>

Some downplay the coming crisis by alleging “well funded” trust funds are a reason to delay reform. However, because Congress has effectively stolen and spent all excess revenue due to Social Security over the years, the trust funds are empty except for \$2.6 trillion in promises from a bankrupt government.

The \$2.6 trillion is really an “I.O.U.” the federal government owes itself, so the government can only raise this “I.O.U.” money by issuing more public debt, raising taxes or cutting spending elsewhere. The current Director of the Office of Management and Budget (OMB), Jacob Lew, basically acknowledged the phony nature of the trust funds when he was leading the OMB for President William Clinton. Under Lew’s leadership, when commenting on the FY 2000 budget, OMB explained that the trust funds’ balances are nothing more than a “bookkeeping” device and “do not consist of real economic assets that can be drawn down in the future to fund benefits.”<sup>4</sup>

It is because the trust funds are merely an accounting mechanism and do not contain real economic assets that President Barack Obama recently warned that he “cannot guarantee” Social Security checks would be mailed to beneficiaries if the government failed to raise the debt ceiling by August 2<sup>nd</sup> – the date the U.S. is estimated to breach its statutorily-established borrowing limit.<sup>5</sup> The reality is the government can only raise Social Security “I.O.U.” money by issuing more public debt, raising taxes or cutting spending elsewhere.

But it is not just Social Security’s trust funds that are in financial trouble. Unfortunately, Social Security’s *disability programs* are in worse shape and face insolvency in the immediate future.

The Social Security Administration (“SSA”) currently administers two programs that provide benefits to disabled individuals: Social Security Disability Insurance (“SSDI”) and Supplement Security Income (“SSI”). Both programs provide benefits to individuals that are so disabled they are unable to perform any job in the national economy. But without immediate reforms, both programs face a financial collapse that would jeopardize their ability to provide benefits to disabled Americans in need.

As the recent Social Security Trustees’ Report made clear, the SSDI Trust Fund will be *exhausted by 2018* (or 2016 under the high cost assumptions).<sup>6</sup> As a result, the Trustees clearly warn Congress that “*legislative action is needed as soon as possible*.”<sup>7</sup>

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<sup>3</sup> Social Security and Medicare Board of Trustees, “A Summary of the 2011 Annual Reports,” <http://www.ssa.gov/oact/trsum/index.html>, accessed July 15, 2011.

<sup>4</sup> President Clinton’s FY 2000 Budget, *Analytical Perspectives*, <http://www.gpoaccess.gov/usbudget/fy00/pdf/spec.pdf>

<sup>5</sup> President Obama, Interview with CBS Evening News, July 12, 2011. <http://www.cbsnews.com/video/watch/?id=7373061n>

<sup>6</sup> The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds. <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>

One reason the disability program is running out of money is that the disability rolls have been increasing at an exponential rate. Another reason is that as fewer disabled Americans are getting back on their feet, more are staying on the program longer. As the report explains, “the proportion of disabled beneficiaries whose benefits cease because of their recovery from disability is very low in comparison to levels experienced throughout the 1970s and early 1980s.”<sup>8</sup>

Given the warnings from nonpartisan experts and financial realities of Social Security’s programs, it is clear the enemy of beneficiaries is *not reform but inaction*. In the face of such evidence, those who deny Social Security is on an unsustainable path—or who claim reform can be delayed without consequences—do a tremendous disservice to seniors and future beneficiaries.

If the Social Security program is to continue providing income security for 157 million Americans, and the 54 million Americans currently receiving benefits, the system must be modernized and strengthened immediately. Delaying sensible reforms gambles with the future of millions of retired and disabled Americans and could jeopardize the stability of those Americans who rely on the program.

### **Putting Social Security On A Solvent Path**

According to the Social Security Administration’s Office of the Chief Actuary,<sup>9</sup> this proposal’s Social Security plan ensures the program is solvent for the next 75-years, eliminating the program’s current deficit.<sup>10</sup> The plan helps fulfill the mission of the Social Security program by modernizing the program, strengthening work incentives, enriching benefits for lower income earners dependent on the system, and slowing benefit growth of workers at the higher end of the income scale. The plan makes these strong reforms without increasing taxes.

For too long, important steps to ensure the integrity of Social Security’s disability programs have taken a back seat to other priorities. While current SSA Commissioner Michael Astrue’s focus on reducing the disability application and hearing backlog is important and has been encouraged by Congress, such a narrow emphasis is shortsighted. To restore balance, the proposal modernizes Social Security’s disability programs that help so many Americans in need, while strengthening safeguards to deter waste, fraud and abuse. The reforms are designed to ensure individuals that are truly disabled are provided the benefits they need, while able Americans are encouraged to work and be self-sufficient. These reforms also seek to shift the agency’s current culture – from one of solely paying benefits, to a culture that ensures qualified beneficiaries receive the benefits to which they are entitled, while also taking steps to implement program integrity to strengthen and improve the program.

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<sup>7</sup> The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, pg. 3. <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>

<sup>8</sup> The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, pg. 40. <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>

<sup>9</sup> For more information about the statement from the Social Security Administration’s Office of the Chief Actuary, see [www.coburn.senate.gov](http://www.coburn.senate.gov)

<sup>10</sup> Current actuarial deficit is 2.22 percent of taxable payroll.

## Reform 1 – Restrain Benefits for Higher Income Earners

In order to control program costs, the plan alters the progressive benefit formula of current law, slowing benefit growth, especially for higher earners. Importantly, the plan avoids increases in Social Security taxes so workers retain more of their earnings.

Under the plan, the benefit formula under current law is altered so that workers below the 40<sup>th</sup> percentile of new retired work entitlements *will not have their benefit reduced by the Social Security benefit formula*. In fact, the formula is enriched so that workers below the 40<sup>th</sup> percentile experience a *slight benefit increase under the formula*.

To understand how the plan changes benefit calculations, it is helpful to examine how benefits are currently calculated. Under current law, individual Social Security benefits are determined through a multiple-step process.

First, a worker's average indexed monthly earnings (AIME) are calculated. To calculate AIME, a worker's *entire work earnings history* is wage-indexed to historical wage growth in order to place wage amounts on the same terms as current wage levels. The recipient's highest 35 years of earnings are identified, averaged and divided by 12 to produce his/her AIME.<sup>11</sup>

Second, after the AIME is calculated, a primary insurance amount (PIA) is calculated. The PIA is the monthly benefit at the full retirement age. The PIA is calculated based on a progressive formula by which workers have less of their benefit replaced as they move up the earnings scale. For example, in 2011 terms:

- 90 percent of first \$749 is replaced;
- 32 percent of the amount between \$749 and \$4,517 is replaced; and
- 15 percent of the amount over \$4,517 and up to the cap on earnings is replaced.<sup>12</sup>

The plan alters the current benefit formula by creating a new “bend point”<sup>13</sup> at the 40th percentile of new retired worker entitlements, and altering the replacement factors so that the bottom 40 percent of earners do not see their benefits reduced under the formula. This means that the bottom 40 percent of beneficiaries – retirees with the least means – are effectively “held harmless” from any changes under the formula.

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<sup>11</sup> More details on this function of the formula: to calculate AIME, nominal wages for each individual in each calendar year are multiplied by Social Security's Average Wage Index (AWI). This wage data is tabulated by SSA based on wages reported on W-2s.

<sup>12</sup> Social Security Administration, “Primary Insurance Amounts,” <http://www.ssa.gov/oact/cola/piaformula.html>, accessed July 16, 2011.

<sup>13</sup> A “bend point” is the dollar amount within the benefit formula at which the replacement rates change. Under current law, the two bend points are \$749 and \$4,517. “Bend point factors,” also called replacement factors, are the percentages at which the dollar amounts are replaced. Under current law, there are three replacement factors: 90 percent, 32 percent and 15 percent.

In fact, the benefit formula is actually enriched so that workers below the 40<sup>th</sup> percentile experience a slight benefit increase under the formula. Above the 40<sup>th</sup> percentile, benefit growth is restrained by lowering the amount the current system replaces.

Under the plan, the formula would be altered according to the following parameters:

- 95 percent of first \$749 is replaced. Under the plan, the initial replacement factor is *increased* from 90 to 95 percent, meaning *all* earners receive a larger portion of the first \$749 replaced than is replaced under current law.
- A new bend point is created at 40<sup>th</sup> percentile of earners. Between the first bend point (\$749) under current law and new bend point created under the plan (approximately \$2,433 in 2011 terms), the current law replacement rate of 32 percent *remains the same*. This means that 32 percent of the amount between \$749 and \$2,433 is replaced.
- Above the 40<sup>th</sup> percentile of earners, benefit growth is restrained. Above the new bend point of \$2,433 and below the second bend point under current law (\$4,517), 10 percent is replaced (instead of current law replacement of 32 percent). Any amounts earned above \$4,517 and below the cap have a 5 percent replacement factor (instead of current law 15 percent).

## **Reform 2 – Change Retirement Age to Reflect Gains in Life Expectancy**

When Franklin Delano Roosevelt signed Social Security into law in 1935, average life expectancy was 64 and the earliest retirement age in Social Security was 65.<sup>14</sup> Today, Americans on average live 14 years longer, retire three years earlier, and spend 20 years in retirement.<sup>15</sup>

To better reflect life expectancy, this proposal would make three changes related to longevity gains.

First, the proposal would index the Normal Retirement Age (NRA) to life expectancy after the NRA increases to 67 as scheduled under current law.<sup>16</sup> Under this plan, the NRA would *gradually increase* by just one month every two years. This means individuals who turn age 62 in 2046 will have a NRA of 68, and those who turn age 62 in 2070 will have an NRA of 69.

Second, under this proposal, the Earliest Eligibility Age (EEA) would increase in tandem with the NRA, reaching ages 63 and 64. This change is consistent with the principle of adjusting for increases in longevity.

<sup>14</sup> National Commission on Fiscal Responsibility and Reform, “The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform,” December 1, 2010, pg. 49, <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>, accessed July 11, 2011.

<sup>15</sup> National Commission on Fiscal Responsibility and Reform, “The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform,” December 1, 2010, pg. 49, <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>, accessed July 11, 2011.

<sup>16</sup> Under current law, the NRA increases to 67 for those attaining age 62 in 2017 or later.

Third, the proposal also strengthens work incentives by applying the actuarial reduction to children of early retirees so that all beneficiaries are treated the same for purposes of early retirement. Here are some illustrative examples of couples and how they would be impacted by these changes:

*Scenario #1 – Jane and Jack Doe Turn 62 Prior to 2017*

This proposal maintains current law for those turning 62 prior to 2017, meaning there is absolutely no change to the retirement age (normal and early) for those turning 62 prior to 2017.

*Scenario #2 – Jane and Jack Doe Turn 62 between 2017 and 2022*

This proposal maintains current law for those turning 62 between 2017 and 2022. Under current law, the Normal Retirement Age will increase 2 months per year beginning with individuals attaining age 62 in 2017, and until it reaches age 67 for those turning age 62 in 2022, and the Early Retirement Age remains at age 62.

*Scenario #3: Jane Doe Born in 2010*

Jane Doe born in 2010 has a life expectancy of 80.5 years.<sup>17</sup> For Jane Doe born in 2010, the Normal Retirement Age would be age 69 and the Early Retirement Age 64.

### **Reform 3 – Improve Calculation of Cost-Of-Living-Adjustments**

Under this proposal, starting in 2012, Social Security cost-of-living-adjustments (COLAs) would be determined based on a more accurate measure of inflation. This proposal uses “chain-weighted” Consumer Price Index for Urban Wage and Clerical Workers (“chained CPI”).

Chained CPI differs from the CPI-W (Consumer Price Index for Urban Wage Earners and Clerical Workers), the current measure for Social Security COLAs. Unlike CPI-W, the chained CPI accounts for substitution goods (i.e., if cereal prices increase, consumers may instead purchase off-brand cereal).

Chained CPI is widely regarded by economists and analysts as a more accurate accounting of inflation than the traditional Consumer Price Index. According to the Bureau of Labor Statistics chained CPI “is designed to be a closer approximation to a ‘cost-of-living’ index than the existing BLS measures.”<sup>18</sup>

Determining Social Security COLAs more accurately is a reform proposal that has garnered widespread support. This reform was recommended by the National Commission on Fiscal Responsibility and Reform (“Fiscal Commission”)<sup>19</sup> and the Bipartisan Policy Center’s Debt Reduction Task Force (“Domenici-Rivlin”).<sup>20</sup> The recommendation has also been incorporated

<sup>17</sup> 2010 Social Security Trustees Report, <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>.

<sup>18</sup> Robert Cage, John Greenlees, and Patrick Jackman, U.S. Bureau of Labor Statistics, “Introducing the Chained Consumer Price Index,” May 2003, [http://www.bls.gov/cpi/super\\_paris.pdf](http://www.bls.gov/cpi/super_paris.pdf), accessed July 11, 2011.

<sup>19</sup> National Commission on Fiscal Responsibility and Reform, “The Moment of Truth: Report of the National Commission on Fiscal Responsibility and Reform,” December 1, 2010, <http://www.fiscalcommission.gov/news/moment-truth-report-national-commission-fiscal-responsibility-and-reform>, accessed July 11, 2011.

<sup>20</sup> Bipartisan Policy Center, “Restoring America’s Future,” November 2010, <http://www.bipartisanpolicy.org/projects/debt-initiative/about>, accessed July 11, 2011.

into a large number of other plans, including plans from the Heritage Foundation<sup>21</sup> on the right and the Center for American Progress on the left.<sup>22</sup>

#### **Reform 4 – Adjust the Spousal Benefit Calculation**

Under this proposal, spousal benefits would be recalculated to better reflect the costs of a two-person household. This proposal would also strengthen the connection between taxes paid and benefits received.<sup>23</sup>

The current spousal benefit is based on 50 percent of the primary insurance amount (PIA) of the other spouse. However, this level of benefit may be overly generous compared with real costs. According to the Congressional Budget Office (CBO), “the Census Bureau’s poverty measures imply the cost of living for a two-person elderly household is only 26 percent higher than that for a one-person elderly household.”<sup>24</sup> As the CBO points out, if the Census Bureau measures are correct, “a 33 percent spousal benefit would more accurately account for the cost of supporting a two-person household.”<sup>25</sup> This proposal adjusts current law by reducing the spousal benefit by 1 percentage point annually (beginning with newly eligible spouses in 2012), until the percent reaches 33 percent.

### **Reforming the Social Security Disability Programs**

The Social Security Administration (“SSA”) currently administers two programs that provide benefits to disabled individuals: Social Security Disability Insurance (“SSDI”) and Supplement Security Income (“SSI”). Both programs provide benefits to individuals that are so disabled they are unable to perform any job in the national economy.

Congress originally intended the disability programs to be a safety net of last resort for disabled Americans who could not work. However, an accumulating wealth of data suggests the program has grown far beyond the mere “safety net” role Congress intended. Since the Trustees’ reports show program rolls and costs increasing exponentially (and the in case of SSDI, exceeding trust fund income), it is time for Congress to carefully reform these programs to ensure resources are targeted toward those truly in need.



<sup>21</sup> Heritage Foundation, “Saving the American Dream,” 2011, <http://savingthedream.org/about-the-plan/plan-details/>, accessed July 11, 2011.

<sup>22</sup> Center for American Progress, “The First Step: A Progressive Plan for Meaningful Deficit Reduction by 2015,” December 2010, [http://www.americanprogress.org/issues/2010/12/pdf/deficit\\_reduction.pdf](http://www.americanprogress.org/issues/2010/12/pdf/deficit_reduction.pdf), accessed July 11, 2011.

<sup>23</sup> Congressional Budget Office “Budget Options, Volume II,” August 2009, Option 650.9 – Mandatory, <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>, accessed July 13, 2011.

<sup>24</sup> Congressional Budget Office “Budget Options, Volume II,” August 2009, Option 650.9 – Mandatory, <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>, accessed July 13, 2011.

<sup>25</sup> Congressional Budget Office “Budget Options, Volume II,” August 2009, Option 650.9 – Mandatory, <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>, accessed July 13, 2011.

Reforming and strengthening the disability programs is long overdue. The programs were not designed to function in the current labor market, nor do they account for modern medical or technological advances that improve disabled American's ability to participate in the workforce with dignity and independence.

Not only are the disability systems in need of modernization, but they are in need of updated guidelines and oversight to ensure scarce dollars are appropriately targeted. Indeed, when Congress created the SSDI program in 1956, members of the Senate Finance Committee noted the difficulty of making determinations that an individual may be disabled and unable to work and highlighted the uncertainty of future costs of a cash disability insurance benefit program.<sup>26</sup>

Such concerns remain well-placed today. One recent report even concluded that “the chance a disability claim is granted or denied is often determined more by the particular judge assigned to handle it than by the facts and circumstances presented in the case.”<sup>27</sup> The same report even found disparities within the same SSA hearing offices on which claims should be paid and which should be denied.

Reasons to reform the disability programs are not limited to modernization or implementation alone. Reform is also a fiscal necessity, as the SSDI Trust Fund cannot sustain current program growth.

As the recent Social Security Trustees' Report made clear, the SSDI Trust Fund will be exhausted by 2018 (or 2016 under the high cost assumptions).<sup>28</sup> The report also highlighted the fact the disability rolls were not only increasing at an exponential rate, but “the proportion of disabled beneficiaries whose benefits cease because of their recovery from disability is very low in comparison to levels experienced throughout the 1970s and early 1980s.” Unfortunately, the report suggested that SSA is actually making the problem worse and contributing to the increase in the rolls by failing to remove individuals that could work, since SSA is no longer adequately evaluating current beneficiaries to make sure they meet program requirements.<sup>29</sup>

The disability program is in such dire financial shape that for the SSDI Trust Fund to last until even 2018, the Trustees assumed an increase in funding to review current beneficiaries to determine if they still qualify for the program. To underscore the drastic need for reform, the Trustees bluntly noted that “legislative action [was] needed as soon as possible.”<sup>30</sup>

This proposal would implement a number of carefully targeted solutions that update SSA's disability programs and adhere to its core principles. The purpose of these reforms is to ensure individuals that are truly disabled are provided the benefits they need, while able Americans are encouraged to work and be self-sufficient. By adopting some practical steps, this proposal would

<sup>26</sup> See S. Rept. 2133, 84th Cong., 2d sess. (1956), pp. 3 and 4.

<sup>27</sup> Transactional Records Access Clearinghouse (TRAC), Syracuse University, Social Security Awards Depend More on Judge Than Facts: Disparities Within SSA Disability Hearing Offices Grow (July 4, 2011), <http://trac.syr.edu/tracreports/ssa/254/>.

<sup>28</sup> See The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>.

<sup>29</sup> The Trustees' report notes that Social Security has succumbed to congressional pressure to reduce the application backlog, at the expense of ignoring other priorities.

<sup>30</sup> See The 2011 Annual Report to the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, <http://www.ssa.gov/oact/tr/2011/tr2011.pdf>.

modernize the application process and the administration of program benefits. When taken in total, these measures restore a balance between the agency's equally important responsibilities of paying entitlement benefits and ensuring the program's integrity.

### **SSA Disability Programs Designed for Individuals Who Cannot Perform Any Job**

Below is an explanation of how Social Security's two disability programs work under current law. While this primer on SSA policies may be technical for some, it is necessary to understand the requirements, income thresholds, and eligibility standards under current law to be able to evaluate the impact of proposed reforms.

#### ***Social Security Disability Insurance ("SSDI")***

Enacted in 1956, the SSDI program provides benefits to insured disabled workers (who are under the full retirement age) by paying monthly cash benefits.<sup>31</sup> To be insured, a worker must have worked a minimum amount of time in employment covered by Social Security.

SSDI payments are made from the SSDI Trust Fund, which is financed by payroll taxes.<sup>32</sup> SSDI payments are based on the worker's past average monthly earnings, indexed to reflect changes in national wage levels.

At the end of December 2010, *10.2 million* people were receiving SSDI payments with the average monthly payment being \$1,068.<sup>33</sup> SSA estimates that in FY2011 the program will pay \$129.7 billion to SSDI beneficiaries. However, in sharp contrast, the SSDI trust fund will only take in \$110.9 billion.<sup>34</sup>

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<sup>31</sup> The program was created under Title II of the Social Security Act.

<sup>32</sup> The payroll tax is a 15.3% tax on earnings that is split equally between employers and employees. The Social Security portion of the payroll tax is 12.4% (6.2% each per employee and employer) on earnings up to the taxable maximum (\$106,800 in 2010). Of the 12.4%, 10.6% is paid to the OASI trust fund and 1.8% is paid to the DI trust fund. The DI trust fund also receives some revenue from the taxation of Social Security benefits.

<sup>33</sup> Information provided by Social Security Administration.

<sup>34</sup> Social Security Administration, Office of Budget, *FY2011 President's Budget, Key Tables*, Table 4 – Old Age, Survivors, and Disability Insurance Outlays and Income and Table 5 – OASDI Beneficiaries and Average Benefit Payments (February 2010), <http://www.ssa.gov/budget/2012KeyTables.pdf>.

## Annual Number of SSDI Beneficiaries in Current Payment Status

Year	Total Number of Beneficiaries	Total Benefits Paid
2010	10.185 million	\$124.191 billion
2009	9.696 million	\$118.329 billion
2008	9.274 million	\$106.301 billion
2007	8.918 million	\$99.086 billion
2006	8.615 million	\$92.384 billion
2005	8.309 million	\$85.394 billion
2004	7.950 million	\$78.202 billion
2003	7.591 million	\$70.906 billion
2002	7.217 million	\$65.645 billion
2001	6.907 million	\$59.577 billion
2000	6.667 million	\$54.938 billion

Source: Information provided by the Congressional Research Service.

Note: Numbers include all workers, spouses, and children receiving SSDI payments.

Once an individual's application for SSDI is approved, there is a five-month waiting period from the time SSA believes the disability began. Many experts believe this waiting period encourages claimants not to work during this period. SSDI beneficiaries also qualify for Medicare coverage 24 months after SSDI eligibility begins.

Benefit payments continue as long as the beneficiary remains disabled, or until she reaches the full retirement age. Very few individuals leave the disability rolls due to returning to work or medical improvement, with the majority of individuals converting to retirement benefits.

## Reasons for SSDI Worker Benefit Terminations, 2009

Reason for Termination	Number of Beneficiaries	Percentage of Terminations
Total Terminations/suspensions	630,074	100.0%
Reached Full Retirement Age	339,530	53.9%
Death	222,008	35.2%
Medical Improvement	20,369	3.2%
Return to Work	32,445	5.1%
Other	15,678	2.5%

Source: Social Security Administration, *Benefits Terminated for All Disabled Beneficiaries*, Table 50, Number, by reason for termination, 2009, [http://www.ssa.gov/policy/docs/statcomps/di\\_asr/](http://www.ssa.gov/policy/docs/statcomps/di_asr/).

### ***Supplemental Security Income (“SSI”)***

SSI (established in 1972) is a means-tested benefit paid to the disabled poor, elderly, and blind. SSI payments are funded through the government’s general revenues which are financed by tax payments from the American public. In most states, SSI recipients also receive Medicaid and food assistance. In FY2010, SSI paid 6.8 million blind or disabled beneficiaries an average of \$517 a month.<sup>35</sup>

SSI benefits and related administrative expenses are considered mandatory spending – meaning that payments are authorized by law and are made without annual Congressional appropriations. In FY2011, the SSI program will disperse an estimated \$52.6 billion in federal benefits and another \$3.8 billion in beneficiary services, administration, and research.<sup>36</sup> Adding to the cost, in most states, SSI recipients also receive Medicaid and food assistance – two programs which are also funded by taxpayers.

Annual Number of SSI Beneficiaries in Current Payment Status

Year	Number of Recipients	Total Benefits Paid
2009	6,322,253	\$38.130 billion
2008	6,118,824	\$34.475 billion
2007	5,959,794	\$32.771 billion
2006	5,829,765	\$30.783 billion
2005	5,706,165	\$29.221 billion
2004	5,583,820	\$28.113 billion
2003	5,481,518	\$26.932 billion
2002	5,353,575	\$26.147 billion
2001	5,245,313	\$25.020 billion
2000	5,133,598	\$23.693 billion

Source: Information provided by Congressional Research Services

Note: Numbers include all blind and disabled receiving SSI payments.

To be eligible for SSI, an individual’s resources must be limited to \$2,000 or \$3,000 for a couple. However, some resources do not count toward an individual’s resource limit when qualifying for SSI:

- the house the individual lives in and the land it is on;
- household goods and personal effects (e.g., wedding and engagement rings);
- burial spaces and funds for the individual and the individual’s spouse (not to exceed \$1,500 in a bank account or other financial instrument);
- life insurance policies with a combined face value of \$1,500 or less;
- one vehicle, regardless of value, if it is used for transportation for an individual or a member of his/her household;
- retroactive SSI or Social Security benefits for up to nine months after an individual receives them;

<sup>35</sup> Information provided by Social Security Administration.

<sup>36</sup> Social Security Administration, FY2011 President’s Budget: Key Tables, Table 6, <http://www.ssa.gov/budget/FY11%20Key%20Tables.pdf>.

- grants, scholarships, fellowships or gifts set aside pay educational expenses for nine months after receipt;
- property essential to self-support (e.g., property the individual owns and uses in a trade or business, such as a gas station, farm, beauty parlor or personal property the claimant uses for work, such as tools, uniforms, or safety equipment); and
- money saved in an Individual Development Account or “IDA” (defined as a special bank account that helps an individual save for education, the purchase of a first home, or to start a business).<sup>37</sup>

SSI payments change with a beneficiary’s monthly earnings, resources, and living conditions. Individual financial circumstances often change, requiring SSA to frequently reassess recipients’ eligibility for benefits. In fact, a frequent complaint of SSA is the burden of administering the program. The complicated benefit formula also excludes the following:

- the first \$20 of any income received in a month (either benefits or earned wages);
- the first \$65 of earnings and one-half of earnings over \$65 received in a month;
- the value of food stamps;
- income tax refunds;
- home energy assistance;
- need-based assistance funded by a state;
- small amounts of income received irregularly;
- loans that must be repaid; and
- money someone else spends to pay the claimant’s expenses.<sup>38</sup>

The remaining income is considered “countable income” and SSA figures the SSI payment using the formula. The formula utilized is: “\$674 (current SSI Federal benefit rate) - \$x (Claimant’s countable income) = SSI Benefit Payment.”

One of the most serious concerns related to the current operation of the SSI program is program’s vulnerability to improper payments. Improper payments in federal government programs are payments the government makes that are incorrect—perhaps too much money is paid to an individual or entity, or money is paid the wrong individual or entity. Unfortunately, at a recent hearing before the House Ways and Means Committee, the SSA Inspector General testified that in 2009 alone, SSA made *\$4 billion in overpayments to SSI recipients*, who did not properly report assets.<sup>39</sup> This means SSI recipients who did not accurately report their financial income and related means cost taxpayers an unnecessary \$4 billion in just a single year.

<sup>37</sup> All examples provided by SSA. For a comprehensive list of excludable resources, see <http://www.ssa.gov/ssi/text-resources-ussi.htm>.

<sup>38</sup> Social Security Administration Website, <http://www.ssa.gov/ssi/text-income-ussi.htm>.

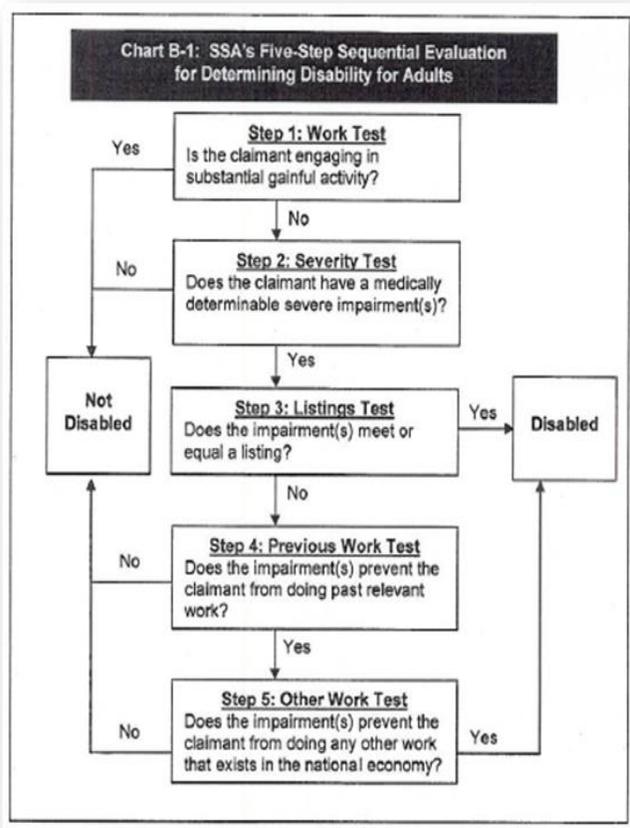
<sup>39</sup> SSA Inspector General O’Carroll also reported that SSA made \$800 million in underpayments to SSI recipients, putting the program as a whole at a 10 percent improper payment rate. This is based on the fact that in 2009, SSA paid \$48.3 billion to SSI beneficiaries. See Testimony of SSA Inspector General Patrick O’Carroll before the United States House of Representatives, Subcommittee on Social Security, Committee on Ways and Means (June 14, 2011), <http://waysandmeans.house.gov/UploadedFiles/ocarroll222.pdf>.

## Definition of “Disability” According to SSA

To qualify for either SSDI or SSI, an individual claiming these benefits (a “claimant”) must meet SSA’s definition of disability. SSA defines disability as *the inability to engage in substantial gainful activity (“SGA”) due to a medically determinable physical or mental impairment expected to result in death or last at least 12 months*. If a claimant is earning over \$1,000 month, it is understood that individual usually meets the SGA threshold. Generally, the worker must be unable to perform any kind of work that exists in the national economy, taking into account age, education, and work experience.

## The Application and Appellate Process

Once a claimant files an application for disability benefits with SSA, it is forwarded to the state disability determination service (“DDS”) for a medical determination, based on the medical evidence in the claimant’s file. If the claimant does not provide medical evidence, SSA will contact the claimant’s doctor to request the medical evidence on behalf of the claimant. The DDS then conducts a five-step sequential evaluation to determine if an applicant is disabled. An applicant can be denied at any step, even if they meet a later criterion.



If an individual is denied benefits at the DDS evaluation or Initial Application, a claimant has four opportunities to appeal the denial:

- (1) Reconsideration, which is a *de novo* (“new”) re-evaluation by another DDS employee
- (2) A *de novo* hearing by an Administrative Law Judge (“ALJ”) in SSA’s Office of Disability Adjudication and Review (“ODAR”)
- (3) Request for review by the Social Security Appeals Council (“SSAC”)
- (4) Appeal to federal district court.

After an individual is determined to be disabled, SSA is required to conduct medical and work reviews to ensure that beneficiaries continue to qualify for the program.<sup>40</sup> By regulation, these

<sup>40</sup> 20 C.F.R. §§ 404.1589 and 416.989.

reviews are set to occur between six months and seven years from the point of entry into the program, based on the beneficiary's likelihood of medical improvement.<sup>41</sup>

## 1. SSA Should Implement Continuing Disability Reviews and Redeterminations

Due to pressure from Congress to reduce the wait time for disability application determinations, SSA has chosen to allocate significant resources to processing applications for disability benefits. Unfortunately however, this focus has come at the expense of many of SSA's program integrity responsibilities. As a result of this disproportionate focus, enrollment in the disability programs continues to grow, despite the fact that numerous individuals currently benefitting from the program could actually perform work and be self-sustaining. Unfortunately, when individuals who are not truly in need are enrolled in the program, this takes scarce dollars away from the benefits of those truly need – and further strains the Trust Fund which is scheduled for exhaustion in just a few short years.

Below the proposal outlines some carefully targeted steps to implement reforms and save taxpayer dollars. Adopting these policies will ensure the program is strengthened for disabled Americans in the most need.

### *Eliminate the Backlog of Continuing Disability Reviews*

Under current law, after SSA determines a person is disabled and that individual begins to receive benefits, SSA is required to conduct periodic continuing disability reviews ("CDRs") to determine if the beneficiary continues to qualify for benefits.<sup>42</sup> In reviewing the beneficiary's medical condition, SSA determines whether or not the disabled individual's condition has improved since entering the program.<sup>43</sup>

In the *Contract with America Advancement Act of 1996*, Congress provided additional funding specifically for CDRs from 1996 to 2002. However, since that funding expired, SSA performance of medical CDRs has decreased by over 50 percent – from over 669,000 in 2003 to approximately 322,000 in FY 2010.

Furthermore, in 2011, 2.8 million beneficiaries are scheduled to receive a CDR, but SSA will only complete about half this amount, leaving a projected backlog of *1.4 million* and overpaying beneficiaries millions of dollars.<sup>44</sup> By only performing medical CDRs when funding is specifically allocated by Congress, SSA is sending the clear message that it will only properly perform program integrity when Congress forces it to do so.

In the same way SSA reviews disability beneficiaries medically, they also are required to review them to see if they are working and no longer qualify for benefits. Currently though, SSA is not properly performing CDRs to determine if beneficiaries have employment and are working. In

<sup>41</sup> 20 C.F.R. §§404.1590 and 416.990.

<sup>42</sup> 20 C.F.R. §404.1589; 20 C.F.R. §404.1590.

<sup>43</sup> This has come to be known the "medical improvement standard."

<sup>44</sup> Social Security Administration, Office of the Inspector General, Statement for the Record, U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Social Security, Hearing on Social Security's Payment Accuracy (June 14, 2011), <http://waysandmeans.house.gov/UploadedFiles/ocarrol222.pdf>.

fact, the SSA Office of Inspector General found that if SSA were to properly performed work CDRs, SSA would have saved taxpayers (and the SSDI Trust Fund) *\$1.3 billion* in overpayments that went completely undetected by SSA.<sup>45</sup> Additionally, last year the Government Accountability Office reported on 1,500 disability beneficiaries who had been receiving disability payments for 12 months or more and were also collecting a federal paycheck and working above SGA.<sup>46</sup>

Clearly, SSA should strengthen its review and examination of enrolled beneficiaries, and remove ineligible beneficiaries from the program. Elimination of the current backlog of 1.5 million medical CDRs would result in saving *\$15.8 billion* in improperly paid lifetime federal benefits.<sup>47</sup> Such a review process would be labor-intensive, but the return on investment is high for this work, with a savings-to-cost ratio of \$12 to \$1. Unfortunately, despite this high return on investment, SSA's resource limitations and choice to prioritize the application backlog have resulted in a decline in medical CDRs.

### ***Increase Program Integrity for the SSI Program***

Despite a range of known program vulnerabilities, SSA has failed to properly oversee and administer the SSI program. SSI recipients are required to report changes in income, resources, and living arrangements, all of which determine the amount a beneficiary is paid each month.<sup>48</sup> To ensure that proper benefit amounts are being paid, SSA performs "Redeterminations" of SSI recipients' non-medical factors.<sup>49</sup> However, SSA has failed to properly allocate funding and resources to Redeterminations. A recent report by the SSA Inspector General's office found that Redeterminations dropped 60 percent from 2003 to 2008. If SSA allocated proper resources to performing Redeterminations at the same level that it did in 2003, SSA would have saved taxpayers *\$3.3 billion* during FYs 2008 and 2009.<sup>50</sup>

Another way that SSA fails to protect the integrity of the program is by paying SSI beneficiaries that are not even in the United States. Under current law, SSI beneficiaries are required to report to SSA if they plan to travel outside the United States for more than 30 days, because doing so would make them ineligible to receive benefits.<sup>51</sup> Yet, SSA fails to enforce this requirement. As a result of this administrative failure, according a 2008 report by the SSA Office of the Inspector General (OIG), the agency made *\$225 million* in overpayments to 40,560 SSI beneficiaries that withdrew funds from an ATM outside the United States.<sup>52</sup> SSA OIG estimates

<sup>45</sup> Social Security Administration, Office of the Inspector General, *Follow-Up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File*, Report A-01-08-28075 (April 2009), <http://www.ssa.gov/oig/ADOBEPDF/A-01-08-28075.pdf>.

<sup>46</sup> Government Accountability Office, *Social Security Administration: Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Disability Payments*, Report No. 10-444 (June 2010), [http://www.gao.gov/new\\_items/d10444.pdf](http://www.gao.gov/new_items/d10444.pdf).

<sup>47</sup> Social Security Administration, Office of the Inspector General, *Full Medical Continuing Disability Reviews*, Report A-07-09-29147 (March 2010), <http://www.ssa.gov/oig/ADOBEPDF/A-07-09-29147.pdf>.

<sup>48</sup> 42 U.S.C. §1383(e)(1); 20 C.F.R. §416.701; 20 C.F.R. §416.708.

<sup>49</sup> 20 C.F.R. §416.204.

<sup>50</sup> Social Security Administration, Office of Inspector General, *Supplemental Security Income Redeterminations*, Report A-07-09-29146 (July 2009), <http://www.ssa.gov/oig/ADOBEPDF/A-07-09-29146.pdf>.

<sup>51</sup> *The Social Security Act* § 1611(f)(1); 42 U.S.C. § 1382(f)(1); 20 C.F.R. § 416.215.

<sup>52</sup> Social Security Administration, Office of the Inspector General, *SSI Recipients with ATM Withdrawals Indicating They Are Outside the United States*, Report A-01-07-17036 (April 2008), <http://www.ssa.gov/oig/ADOBEPDF/A-01-07-17036.pdf>.

that if SSA policed this requirement, it would save \$100.5 million annually or *\$1.005 billion* over ten years.<sup>53</sup>

SSA is also failing to correctly administer and enforce existing requirements that SSI recipients accurately report real property and vehicle ownership. Under current law, SSI beneficiaries are allowed to exempt from resource limits the house they live in and the land that it is on, as well as one vehicle. However, using a simple LexisNexis search of SSI claimants, SSA OIG found \$551 million in unreported vehicles and \$2.2 billion in unreported real property.<sup>54</sup> SSA OIG reported the agency could have saved taxpayers *\$2.751 billion* in overpayments to SSI recipients during the years reviewed, and said that just utilizing LexisNexis to locate unreported real property alone would save SSA *\$350 million* in SSI payments annually, or *\$3.5 billion* over ten years.<sup>55</sup> Taxpayers should not be paying for welfare recipients to own multiple homes and vehicles. SSA should utilize LexisNexis cross-checks for all applicants who apply for SSI.

Despite the wealth of data showing the need for increased oversight and tighter controls by SSA, it is unclear why SSA is not prioritizing basic program integrity responsibilities. Sadly though, the cost to taxpayers is clear, *as taxpayers lost \$4 billion in overpayments for the SSI program in just 2009 alone.*<sup>56</sup>

Since SSA apparently eschews its responsibility to implement basic program integrity measures, Congress must fulfill its job of conducting rigorous oversight and require the agency to perform necessary functions. Reprioritizing program integrity will save the SSDI Trust Fund and precious tax dollars. Stronger program integrity management will also eliminate the incentive for able Americans to bilk the system, thus encouraging capable men and women to regain their self-sufficiency through gainful employment.

The way to implement stronger program integrity is straightforward. SSA should use a portion of the funds currently directed toward reducing the application backlog to perform needed program integrity. In addition, funds previously used to pay the lump sum death benefit should be reallocated to supplement program integrity efforts. Under this proposal, the SSA OIG will be responsible for certifying the SSA performed all scheduled CDRs on time as part of the annual financial statement audit.

In light of the abundance of program weaknesses and financially unsustainable status quo, leadership is needed to accomplish a culture shift at SSA. Presently, SSA primarily views its role as an entitlement agency that is charged to hand out benefits. But the agency also fundamentally has a role to ensure the accurate, timely, and careful administration of taxpayer dollars. To prioritize scarce dollars for disabled Americans truly in need, the agency needs to

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<sup>53</sup> Estimate provided by the Social Security Administration Office of the Inspector General.

<sup>54</sup> Social Security Administration, Office of the Inspector General, *Supplement Security Income Recipients with Unreported Real Property*, Report A-02-09-29025 (June 2011), <http://www.ssa.gov/oig/ADOBEPDF/A-02-09-29025.pdf> and Social Security Administration, Office of the Inspector General, *Supplement Security Income Recipients with Unreported Vehicles*, Report A-02-08-28038 (July 2009), <http://www.ssa.gov/oig/ADOBEPDF/A-02-08-28038.pdf>.

<sup>55</sup> Estimate provided by the Social Security Administration Office of the Inspector General.

<sup>56</sup> Inspector General O'Carroll also testified that SSA made \$800 million in underpayments to SSI recipients. Social Security Administration, Office of the Inspector General, *Statement for the Record*, U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Social Security, *Hearing on Social Security's Payment Accuracy* (June 14, 2011), <http://waysandmeans.house.gov/UploadedFiles/ocarroll222.pdf>.

adopt a culture that prizes program integrity measures. This change will ensure those benefitting are only those who are truly disabled. Individuals who do not receive SSA disability benefits may still be eligible for a wide range of taxpayer-funded federal programs, grants, and benefits. Americans are right to be concerned when benefits for the truly disabled risk being jeopardized by lazy or ineffective program administration.

## **2. Implement Additional Program Integrity Reforms**

### ***Eliminate the Mailer CDR***

When SSA does medically reevaluate disability beneficiaries, the majority of the time the process is handled through a form mailed to the beneficiary asking if he or she is “better, worse, or the same.”<sup>57</sup> The process is simple: when the beneficiary receives the form, he or she checks the applicable box and sends the form back to SSA. In FY2009, SSA performed 1.1 million medical CDRs, of which 785,023 were mailer CDRs.<sup>58</sup> This approach is vulnerable to fraud or abuse and is not the program integrity Congress envisioned. SSA must eliminate the use of this form and return to full medical Continuing Disability Reviews.

### ***Eliminate the Medical Improvement Standard***

Under current law, to remove a beneficiary from the rolls during a medical CDR, SSA must find evidence of medical improvement related to the ability to perform work. This may be a well-intended standard, but there are two significant problems with this threshold.

First, SSA does not consistently provide proper guidance on the interpretation and application of the standard. SSA fails to clearly define the improvement necessary to meet the standard, resulting in inconsistent decision-making.<sup>59</sup>

Second, the standard does not take into account whether or not some individuals are improperly accepted to the disability rolls, making medical improvement insignificant. In other words, the standard merely assumes all current beneficiaries were rightly admitted to the program.

This standard is unacceptable and should be replaced with a determination of whether the beneficiary is truly disabled under program terms. To not carefully enforce eligibility rules of a program is a disservice to those truly in need who do quality for the program.

### ***Benefits Should Cease When a Medical CDR Finds a Beneficiary Able to Work***

When SSA performs a medical CDR on a beneficiary and determines the beneficiary no longer meets the medical criteria, the individual is no longer eligible for disability benefits. The recipient can then appeal the decision through the SSA appellate process. Should the beneficiary decide to appeal, he or she will continue to receive benefits through the appellate process.<sup>60</sup>

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<sup>57</sup> Social Security Administration, Disability Update Report, Form Approved OMB No. 0960-0511, Form SSA-455, <https://secure.ssa.gov/apps10/poms/images/SSA4/G-SSA-455-1.pdf>

<sup>58</sup> The remaining 316,960 medical CDRs were full medical reviews. Numbers provided to Sen. Coburn’s staff by SSA.

<sup>59</sup> Government Accountability Office, *Clearer Guidance Could Help SSA Apply the Medical Improvement Standard More Consistently*, Report 07-8 (October 2006), <http://www.gao.gov/new.items/d078.pdf>.

<sup>60</sup> 42 U.S.C. §423(g).

Unfortunately, the continuation of benefits through the appeal process means taxpayers may be paying for individuals who are ineligible for the program. In fact, an SSA OIG report found that from October 2002 to September 2004, SSA overpaid \$146.1 million to SSI beneficiaries who were appealing a medical CDR that was later affirmed by an administrative law judge.<sup>61</sup> At the same time, the SSDI program overpaid \$43.9 million to beneficiaries whose medical CDR appeal was later affirmed by an administrative law judge.<sup>62</sup> When a beneficiary no longer qualifies as disabled, benefits should cease immediately. If the beneficiary chooses to appeal the decision, awarding back-pay is a smarter approach than for SSA to overpay a beneficiary and have to chase dollars already paid.

### ***Require the Collection of Civil Monetary Penalties***

Under current law, an individual that makes a false or misleading statement to SSA with the intent to improperly receive benefits may be subject to a Civil Monetary Penalty (“CMP”) of \$5,000 per statement. For example, a disability recipient states to SSA that she is not working, but an investigation later finds that she is working and earning wages.

The SSA Office of the Inspector General (“OIG”) runs the CMP program by investigating beneficiary fraud, imposing monetary penalties, and negotiating collection payment plans.<sup>63</sup> The OIG then turns the responsibility for collecting those fraudulently obtained funds over to SSA.

Unfortunately, even after the OIG has proven that the beneficiary defrauded SSA and negotiated a payment plan with that beneficiary, SSA is currently not collecting CMPs as scheduled and sometimes fails to collect them altogether. As a result, there is virtually no enforced penalty for defrauding the disability programs. This is an outrage to taxpayers and a poor use of scarce taxpayer dollars. SSA must enforce CMPs for beneficiaries to take their reporting responsibilities seriously. Therefore, collection of CMPs should remain with SSA OIG and not be transferred to SSA for collection.

### ***SSA Must Utilize Administration Sanctions***

As an agency, SSA itself also has the ability to impose administrative sanctions when a beneficiary defrauds or misleads SSA regarding that beneficiary’s eligibility for benefits. For example, this might include a beneficiary’s failure to report an event that affects benefit eligibility or amount.<sup>64</sup> If SSA decides to impose a sanction, the individual will not receive benefits for the duration of the sanction period.<sup>65</sup>

Tragically, again SSA has failed to fully use the program integrity tools at its disposal. A report by SSA OIG found that SSA rarely imposed administrative sanctions, and completely failed to

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<sup>61</sup> Social Security Administration, Office of the Inspector General, *Impact of Statutory Benefit Continuation on Supplemental Security Income Payments Made During the Appeals Process*, Report A-07-05-15095 (May 2006), <http://www.ssa.gov/oig/ADOBEPDF/A-07-05-15095.pdf>.

<sup>62</sup> Social Security Administration, Office of the Inspector General, *Impact of Statutory Benefit Continuation on Disability Insurance Benefit Payments Made During the Appeals Process*, Report A-07-05-15094 (December 2006), <http://www.ssa.gov/oig/ADOBEPDF/A-07-05-15094.pdf>.

<sup>63</sup> The Social Security Act §1129; 42 U.S.C. §1320a–8.

<sup>64</sup> The Social Security Act §201, 42 U.S.C. §401, 20 C.F.R. §404.1.

<sup>65</sup> The sanction periods are as followed: six months for the first offense; 12 months for the second offense; and 24 months for the third offense.

properly train field office workers on how to impose them.<sup>66</sup> Troublingly, field office workers were reported as believing that implementing sanctions was too “harsh” a punishment for defrauding SSA.

As a result of SSA’s administrative neglect, from October 2000 through March 2008, SSA only imposed 275 administrative sanctions in the SSDI program. Despite this, SSA referred thousands of cases of fraud to the OIG and overpaid beneficiaries billions of dollars during the same time period, resulting in \$123.2 million lost in potential administrative sanctions.

It is increasingly concerning that SSA appears to run its programs in a way that allows beneficiaries to defraud programs (and taxpayers) with virtually no repercussions, creating a culture that does not believe in penalties for refusing to play by the rules.<sup>67</sup> SSA must utilize its administrative sanction power more fully and effectively.

### ***Remove the Maximum Collection Amount from SSI Overpayments***

As previously stated, the SSI program made \$4 billion in overpayments in 2009.<sup>68</sup> SSA, however, is limited in the amount of overpayments it can collect from beneficiaries. Under current law, the maximum amount that SSA can deduct from a beneficiary’s monthly payment is the lesser of two amounts: the individual’s entire monthly SSI benefit or 10 percent of the individual’s total monthly include (minus certain exclusions). As a result, for SSI recipients that have no other source of income, SSA can only recover 10 percent of their monthly SSI benefit.<sup>69</sup> The current threshold is needlessly restrictive. According to the nonpartisan Congressional Budget Office (“CBO”), removing this 10 percent maximum cap would result in recovery of SSI overpayments totally \$1.4 billion from 2010 to 2019.<sup>70</sup> To maximize program integrity and protect taxpayer dollars, the 10 percent cap maximum should be lifted and the collection of SSI overpayments certified by the SSA OIG through the annual financial audit.

### ***Simplify the Formula Used to Calculate SSI Payments***

SSI payments are calculated each month based on a complicated formula that considers earned income and unearned income (including Social Security benefits). In figuring a beneficiary’s SSI payment each month, the benefit formula specifies that \$20 be excluded from the amount used to calculate an individual’s benefits. At the same time, \$65 is excluded from earned income, which is meant to encourage individuals to work. After that amount, benefits are reduced dollar for dollar. For administrative simplicity and efficiency, the \$20 exclusion from unearned income should be eliminated, which, according to CBO, would reduce SSI program

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<sup>66</sup> Social Security Administration, Office of the Inspector General, The Social Security Administration’s Use of Administrative Sanctions in the Old-Age, Survivors, and Disability Insurance Program, Report A-07-07-17052 (September 2008), <http://www.ssa.gov/oig/ADOBEPDF/A-07-07-17052.pdf>.

<sup>67</sup> SSA OIG analyzed two populations of beneficiaries for potential sanctions. The first population included cases referred to the OIG for fraud, but not selected for prosecution under the CMP program. SSA OIG believed this population should have resulted in \$17.6 million in administrative sanctions. The second population included SSDI overpayments. For this population, overpaid beneficiaries in the Non-Annual Retirement population should have resulted in \$105.6 million in administrative sanctions.

<sup>68</sup> Statement by Social Security Inspector General Patrick O’Carroll, U.S. House of Representatives, Committee on Ways and Means, Subcommittee on Social Security, Hearing on Social Security’s Payment Accuracy (June 14, 2011), <http://waysandmeans.house.gov/UploadedFiles/ocarroll222.pdf>.

<sup>69</sup> 20 C.F.R. §404.535.

<sup>70</sup> Congressional Budget Office, Budget Options, Volume 2, Option 600.9, pg. 139, *Remove the Ceiling on the Collection of Overpayments from the Supplement Security Income Program* (August 2009), <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

outlays by almost \$8 billion between 2010 and 2019.<sup>71</sup> In addition, the rules regarding excluded resources should be re-evaluated and limited in scope.

### ***Reduce SSI Payments for Children by the Number of Qualifying Children Per Family***

In 2008, SSA paid about \$8 billion in SSI benefits for children covered by the program. However, unlike other means-tested benefit programs, SSI payments for each additional child do not decline as the number of SSI eligible members of a family increases.

SSA should create a sliding scale for SSI benefits so that a family would get incrementally fewer benefits per child as the number of children in each family that qualified for SSI increased. According to CBO, doing so would reduce SSI program outlays by almost \$1.7 billion from 2010 through 2019.<sup>72</sup> In the same vein, extending the school attendance requirement to students aged 16 to 17 who have not graduated from high school in order to receive Social Security benefits would save \$1.57 billion in program costs from 2010-19 and reduce dropouts by one-quarter.<sup>73</sup> This proposal would adopt both of these policies.

## **3. Using Common Sense To Update the Disability Application Process**

### ***One Applicant, One Application***

Currently, a disability claimant can file more than one application for disability. Some individuals may do this in hopes of being evaluated by a more sympathetic DDS examiner or ALJ; others use a subsequent application to game the system after an ALJ has denied their claim and they are waiting for the Social Security Advisory Committee to hear their appeal. As a result, duplicative and unnecessary applications are added to the growing backlog of disability applications. The ability to submit more than one application by a single claimant must be eliminated; a claimant should be limited to one application pending in the appellate process at a time.

### ***Elimination of the Reconsideration Level of Appeal***

As explained elsewhere in this proposal, a disability claimant is given a number of chances to appeal after a denial at the Initial Determination stage: Reconsideration by the DDS; hearing by an Administrative Law Judge (“ALJ”) in SSA’s Office of Disability Adjudication and Review (“ODAR”); request for review by the Social Security Appeals Council (“SSAC”); and appeal to federal district court.

After an individual is denied benefits at the Initial Determination stage with the state DDS, within 60 days, denied claimants are able to appeal the determination and request “Reconsideration.” This reconsideration step is unnecessary for several reasons.

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<sup>71</sup> Congressional Budget Office, Budget Options, Volume 2, Option 600.7, pg. 137, *Eliminate the Exclusion for Unearned Income Under the Supplemental Security Income Program* (August 2009), <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

<sup>72</sup> Congressional Budget Office, Budget Options, Volume 2, Option 600.8, pg. 138, *Create a Sliding Scale for Children’s Supplemental Security Income Benefits Based on the Number of Recipients in a Family* (August 2009), <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

<sup>73</sup> Congressional Budget Office, Budget Options, Volume 2, Option 650.7, pg. 151, *Require Children Under Age 18 to Attend School Full Time as a Condition of Eligibility for Social Security Benefits* (August 2009), <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.

First, reconsideration of the denial is performed by another claims examiner in the same state DDS office. New evidence is rarely provided at the Reconsideration level and the review is essentially the same as the review done in the Initial Determination, just by a different person.

Second, the number of denials that are overturned at Reconsideration is low. SSA-published statistics show that only 9.7 percent of denials were overturned at this stage in 2008.<sup>74</sup>

Third, SSA has shown the step may be duplicative and unnecessary. SSA has already eliminated Reconsideration in ten states: Alaska, Alabama, California (Los Angeles West and North Branches), Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, and Pennsylvania.

The Reconsideration level of appeal should be eliminated. Doing so would not only eliminate redundancy, but also free-up DDS claims examiners to better document initial decisions and execute CDR responsibilities.<sup>75</sup>

### ***Record Should Close One Week Prior to the ALJ Hearing***

Under current law, claimants are able to supplement their application with additional medical records and diagnoses throughout the appellate process. A claimant may submit new medical evidence at any time. There is no finality with regard to the record or schedule for the submission of evidence. For example, a claimant could submit evidence on the day of the hearing before an ALJ, or even after the ALJ has made a decision.

The current leniency in the ability to continue to add supplementary medical records is highly inefficient and unnecessary. In fact, the ability to continue to submit additional documents may perversely incentivize longer adjudication times.

Since attorneys and claims representatives are paid a percentage of back-pay awarded to a claimant, an open record provides an incentive to prolong cases to increase attorney fees. At minimum, the open record allows attorneys and representatives to pursue additional supportive medical evidence (and incur additional cost) only as a result of an unfavorable hearing decision.

Closing the record would heighten the importance of developing a claimant's record as fully as possible before the ALJ makes a decision. Furthermore, since the majority of claimants are represented at the ALJ hearing level of appeal, these professionals should be responsible for submitting evidence in a timely manner.

Establishing uniform procedures for claimant representatives to follow and requiring attorneys (absent good cause) to submit all evidence a specified number of days prior to the hearing would

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<sup>74</sup> Social Security Administration, Annual Statistical Report on the Social Security Disability Insurance Program, 2009, Outcomes of Applications for Disability Beneficiaries, Table 61, Medical Decisions at the Reconsideration Level, by year of application and program, 1992-2008, [http://www.ssa.gov/policy/docs/statcomps/di\\_asr/](http://www.ssa.gov/policy/docs/statcomps/di_asr/).

<sup>75</sup> Prior SSA Commissioners have recognized Reconsideration should be eliminated and acknowledging that it would allow for better documentation of decisions. See SSA Press Release, "Commissioner Barnhart Presents Her Approach to Improving the Disability Determination Process," September 25, 2003, <http://www.ssa.gov/pressoffice/pr/DDPImprovement-pr.htm>.

provide for a more orderly and expeditious process.<sup>76</sup> SSA should also require claimant representatives to certify that the case is fully developed and ready for a hearing, prior to the hearing. This proposal would require all evidence supporting a claimant's application for benefits be submitted one week before the scheduled ALJ hearing date.<sup>77</sup>

### ***The Government Should be Represented at the ALJ Hearing***

Under current law, a disability ALJ is responsible for wearing three "hats" during hearings:

- (1) Ensure that all of the claimant's relevant and material evidence is made part of the record and the claimant's interests are protected (even when the claimant is represented);
- (2) Protect the interests of the government; and
- (3) Make a fair decision based on the evidence in the record.<sup>78</sup>

The conflict among these interests is apparent, as the ALJ represents differing parties with mutually exclusive goals. An attorney for the government (and ultimately, the taxpayer) should represent and defend the interests of the government during these hearings. While this is a departure from current law, this would provide balance to the current equation, since the majority of claimants are represented by counsel or a claim representative at this ALJ stage. In fact, it is rare today for a claimant not to be represented at the hearing stage.<sup>79</sup> As a result, the Social Security Advisory Board ("SSAB") has long noted that:

Having an individual present at the hearing to defend the agency's position would help to clarify the issues and introduce greater consistency and accountability into the adjudicative system. It would also help to carry out an effective cross-examination of the claimant.<sup>80</sup>

Under this proposal, the attorney for the government would also be responsible for developing and submitting evidence that the claimant is not suitable for disability benefits, which under current law, the claimant is not required to submit. The government would be represented at the ALJ disability hearing.

### ***Update SSA Vocational Grids***

In making a disability determination, if an individual's alleged disability does not qualify as a disability under SSA's medical listing, SSA assesses whether the claimant is disabled based on

<sup>76</sup> Social Security Advisory Board, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change* (January 2001), <http://www.ssab.gov/publications/disability/disabilitywhitepap.pdf>.

<sup>77</sup> SSA proposed a similar rule requiring all evidence be submitted five days before an ALJ hearing, stating that "program experience has convinced us that the late submission of evidence to the ALJ significantly impedes our ability to issue hearing decisions in a timely manner." See Amendments to the Administrative Law Judge, Appeals Council, and Decision Review Board Appeals Levels, 72 Fed. Reg. 61218 (October 29, 2007). While this was not adopted nationally, ALJs in the Boston region can still require all evidence submitted five days in advance of the hearing. See Eliminating the Decision Review Board, 76 Fed. Reg. 24802 (May 3, 2011).

<sup>78</sup> Statement of the Hon. Ronald G. Bernoski, President, Association of Administrative Law Judges, Subcommittee on Social Security, United States House of Representatives Committee on Ways and Means, Hearing on the Social Security Disability Programs' Challenges and Opportunities (June 20, 2002).

<sup>79</sup> Frank Bloch, Jeffrey Lubbers, and Paul Verkuil, *Introducing Nonadversarial Government Representatives to Improve the Record for Decision in Social Security Disability Adjudications, A Report to the Social Security Advisory Board* (2003), <http://www.ssab.gov/documents/Bloch-Lubbers-Verkuil.pdf>.

<sup>80</sup> Social Security Advisory Board, *Charting the Future of Social Security's Disability Program: The Need for Fundamental Change* (January 2001), <http://www.ssab.gov/publications/disability/disabilitywhitepap.pdf>.

his or her *residual functional capacity* (“RFC”). A claimant’s RFC is defined as the most work a claimant can still do (despite the claimant’s limitations) based on the relevant evidence in the case record of all medically determinable impairments. The RFC assessment also includes an analysis of the claimant’s ability to meet the physical, mental, sensory, and other requirements of work.<sup>81</sup>

To analyze whether a claimant’s RFC qualifies them as disabled, in 1978 SSA developed “vocational grids” based on a number of factors, including age, education, and past work experience, to determine if an individual is employable or disabled.<sup>82</sup> These grids function as a kind of checklist, or worksheet, use to determine an individual’s RFC.

However well-intended, these grids are clearly outdated and even pejorative. Under these grids, SSA considers individuals aged 50-54 as “approaching advanced age” and individuals over the age of 55 as “advanced age.” Due to age, these individuals are considered to be less likely to learn new skills to transfer to a new job when their alleged impairment prevents them from performed past work. SSA believes these claimants to be “significantly limited in vocational adaptability if they are restricted to sedentary work,” and therefore, disabled.<sup>83</sup>

With 5.9 million beneficiaries (or 66 percent) currently on SSDI aged 50 and older, it is clear that SSA has made it much easier for these individuals to enter the disability programs.<sup>84</sup> These grids are clearly outdated and inconsistent with life expectancy and medical improvements. It is not longer the case that aged 55 and older are “advanced” in their age. Therefore, these ages should be raised to *at least* 58-60 for “approaching advanced age” and 61 and older to “advanced age.”<sup>85</sup> The vocational grids also take into account the inability to speak English, which should be removed as a consideration.

#### 4. SSA Disability Program Reforms

***Convert Disabled Beneficiaries to Retirement Benefits at the Early Entitlement Age (“EEA”).*** At present, SSA converts disabled beneficiaries to retirement benefits at age 65. Individuals, however, can begin to collect Social Security retirement benefits as early as age 62, or EEA. For conversation at EEA, a benefit reduction would apply as if the beneficiary was applying as a retiree at EEA. The reduction will be the reduction at EEA (currently 30 percent). This conversion will encourage individuals that seek disability benefits as an early retirement program to remain in the work force.

<sup>81</sup> 20 C.F.R. §416.945.

<sup>82</sup> Appendix 2 to Subpart P of Part 404 – Medical-Vocational Guidelines.

<sup>83</sup> Appendix 2 to Subpart P of Part 404, §201.00(f).

<sup>84</sup> Social Security Administration, All Disabled Beneficiaries, Table 4, Number and average monthly benefit, by sex and age, December 2009, [http://www.ssa.gov/policy/docs/statcomps/di\\_asr/](http://www.ssa.gov/policy/docs/statcomps/di_asr/).

<sup>85</sup> In 2005, under Commissioner Jo Anne Barnhart, SSA attempted to raise the ages in the vocational grids stating the increases were based on “adjudicative experience, advances in medical treatment and healthcare, changes in the workforce since [SSA] originally published [the] rules for considering age in 1978, and current and future increases in the full retirement age under Social Security law.” *See Age as a Factor in Evaluating Disability*, 70 Fed. Reg. 67101 (Nov. 4, 2005). Almost four years later, under Commissioner Astrue, without explanation, Commissioner Astrue withdrew the proposed increase in ages. *See Age as a Factor in Evaluating Disability*, 74 Fed. Reg. 21563 (May 8, 2009).

### ***Promote Work Earlier***

Under current law, for an individual to be accepted to disability, he or she must establish that they cannot work. This requirement encourages disability claimants to remain out of the labor force while they are applying for benefits. Additionally, individuals claiming disability are not allowed to sign up for rehabilitation services until *after* they are awarded disability benefits.

These are the wrong incentives. Indeed, most experts agree that the most effective intervention is to help disabled individuals return to work as quickly as possible.<sup>86</sup> In fact, one study found that participation in back-to-work programs was higher for disability beneficiaries who were allowed to participate during the initial determination of their eligibility, suggesting those individuals with recent participation in the labor force are more likely to return to work.<sup>87</sup>

Currently, SSA provides work incentives to disabled beneficiaries, but they are only eligible to use those incentives *after* they are accepted onto the program. While participation in SSA's back to work program "Ticket to Work" by disabled beneficiaries has increased, participation in the program overall remains low.<sup>88</sup> Although opportunities to improve the program may exist, SSA does not currently have basic data to analyze how to improve the program because SSA does not evaluate beneficiaries that participate in the "Ticket to Work" program and has not consistently monitored or enforced individuals' progress toward self-supporting employment.<sup>89</sup> Clearly, SSA is not placing adequate attention on helping disabled Americans return to work and be productive members of society.

If SSA is truly interested in helping disabled Americans, it should assist them in being independent and productive members of society by encouraging disability applicants to consider attempting to work before accepting them onto the disability rolls. The "Ticket to Work" program should be replaced with a more effective back-to-work program that claimants are able to access earlier in the disability application process, even before individuals apply for benefits.

### ***Time Limit Disability Benefits to Encourage Beneficiaries to Return to Work***

At present, when an individual is approved for SSDI or SSI benefits, they remain on the program until they return to work or SSA determines they have improved medically and are no longer disabled. When a claimant is accepted onto the disability rolls, SSA assigns a classification to

<sup>86</sup> Social Security Advisory Board, *Charting the Future of Social Security's Disability Programs: The Need for Fundamental Change* (January 2001), <http://www.ssab.gov/publications/disability/disabilitywhitepap.pdf>.

<sup>87</sup> Social Security Advisory Board, *A Disability System for the 21st Century* (September 2006), <http://www.ssab.gov/documents/disability-system-21st.pdf>.

<sup>88</sup> Ticket to Work is a voluntary program for SSDI and SSI recipients aged 18 to 64. These beneficiaries receive a "ticket" they take to an employer network ("EN") contracted with SSA that provides employment services. The EN and beneficiary work together to develop an individual work plan describing the services the employer network will provide the beneficiary. See Government Accountability Office, *Social Security Disability: Ticket to Work Participation has Increased, but Additional Oversight is Needed*, Report No. 11-324 (May 2011), <http://www.gao.gov/new.items/d11324.pdf>.

<sup>89</sup> Interestingly, SSA revised the Ticket to Work regulations in 2008 due to low participation rates by both ticket holders and ENs. Government Accountability Office, *Social Security Disability: Ticket to Work Participation has Increased, but Additional Oversight is Needed*, Report No. 11-324 (May 2011), <http://www.gao.gov/new.items/d11324.pdf>. To date, it remains a failure. When it was originally passed in 1999, CBO estimated that it would result in millions saved. See CBO, *Pay-As-You-Go-Estimate: H.R. 1180 Ticket to Work and Work Incentives Improvement Act of 1999* (Dec. 13, 1999). The same number of beneficiaries, however, are returning to work as before it was implemented. Social Security Administration, Office of the Inspector General, *Ticket to Work and Self-Sufficiency Program Cost Effectiveness*, Report No. A-02-07-17048 (August 2008).

the beneficiary regarding the likelihood of recovery. These classifications will be used to time-limit benefits for the following periods of time:

- A beneficiary classified as “medical improvement expected” will receive two years of disability benefits;
- A beneficiary classified as “medical improvement possible” will receive three years of disability benefits; and
- A beneficiary classified as “medical improvement not expected” will receive five years of disability benefits.

The current system provides a disincentive for many beneficiaries to improve their health, mobility, and self-sufficiency, even when possible. Incentives should be realigned by limiting the amount of time that the beneficiary will receive benefits. This would enable beneficiaries to plan and prepare to return to the work force, while providing them with help during their disability.

For claimants that truly remain disabled and unable to work, they could re-apply for benefits at any point during the final year of the benefit term. If a claimant were to be re-accepted for an additional benefit term, the five month wait period for benefits would not apply.<sup>90</sup> The use of time-limiting benefits also takes the administrative burden off of SSA to perform medical CDRs, which it consistently states it lacks funds to properly perform.

### ***Development of a Treatment Plan***

Upon becoming eligible for disability benefits, all disabled beneficiaries should be required to develop a treatment plan if SSA finds they have a condition where medical improvement is expected or possible. The plan should include vocational rehabilitation and medical treatment, and would have return-to-work as its goal within a designated time period. This would put the emphasis on returning to work and not staying on disability benefits indefinitely. This simple policy correction would help many beneficiaries reclaim the freedom of self-sufficiency and enjoy the dignity of gainful employment.

### ***Increase State Involvement in the Management of SSI***

In 1996, under bipartisan federal welfare reform legislation, states became responsible for administering the welfare program, technically called Temporary Assistance to Needy Families (“TANF”). TANF’s mission is to help needy families to become self-sufficient, including reducing the dependency of needy parents by promoting job preparation, work, and marriage.<sup>91</sup> Under the historic, bipartisan reform, states received federal block grants to cover benefits, administrative expenses, and services targeted to needy families with wide flexibility to develop state-run welfare programs.

The SSI program also provides disabled individuals with benefits, effectively making it essentially a welfare program for individuals with health problems. Not surprisingly, statistics

<sup>90</sup> Timing limiting disability benefits is a concept utilized by the Netherlands in recent reforms to its disability program. See Richard V. Burkhauser, Mary C. Daly, and Philip R. de Jong, *Curing the Dutch Disease: Lessons for United States Disability Policy*, University of Michigan Retirement Research Center, Working Paper No. 2008-188 (September 2008), <http://www.mrrc.isr.umich.edu/publications/Papers/pdf/wp188.pdf>.

<sup>91</sup> United States Department of Health and Human Services, Administration for Children and Families, Temporary Assistance for Needy Families (“TANF”), About TANF, <http://www.acf.hhs.gov/programs/ofa/tanf/about.html>.

show an overlap in the populations served by TANF and SSI. In fact, GAO estimates indicate that almost all TANF offices encourage some TANF recipients with impairments to apply for SSI.<sup>92</sup> This overlap means that taxpayers may be overpaying for programs that have at least partially duplicate functions. Congress should shift the management of the SSI program to the states to take advantage of the states experience in encouraging TANF recipients to return-to-work and become independent and productive Americans.<sup>93</sup>

Shifting management of the SSI program to the states would also benefit children that are currently enrolled in the SSI program. For example, instead of making payments directly to parents, states could divert SSI funds directly to educational supports to fund the improved education of children with disabilities. The Individuals with Disabilities Education Act (“IDEA”) authorized the federal government to make grants to states that fund special education and related services for students with disabilities. In 2009, IDEA could provide up to \$4,200 per child to states to fund educational supports. Program funding, however, only provided about \$1,370 per child. In fact, CBO recently advocated an increase in IDEA funds to provide states with the authorized maximum grant for educating children with disabilities.<sup>94</sup> By diverting SSI funding to states, these payments could meaningfully fund programs that would provide much needed educational support for children with disabilities to become productive and independent members of society.

## Savings

The proposed reforms allow for the SSDI Trust Fund to remain solvent for 75 years.

The proposed changes to the SSI program will save over **\$17.175 billion** over the next ten years.

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<sup>92</sup> Estimates from GAO’s nationwide survey of county TANF offices indicated that almost all offices reported that they refer at least some recipients with impairments to apply for SSI. Government Accountability Office, *TANF and SSI: Opportunities Exist to Help People with Impairments Become More Self-Sufficient*, Report No. 04-878 (September 2004), <http://www.gao.gov/new.items/d04878.pdf>.

<sup>93</sup> Richard V. Burkhauser, Mary C. Daly, and Philip R. de Jong, *Curing the Dutch Disease: Lessons for United States Disability Policy*, University of Michigan Retirement Research Center, Working Paper No. 2008-188 (September 2008), <http://www.mrrc.isr.umich.edu/publications/Papers/pdf/wp188.pdf>.

<sup>94</sup> Congress of the United States, Congressional Budget Office, Budget Options, Volume 2, pg. 117, *Increase Funding for the Education of Children with Disabilities* (August 2009), <http://www.cbo.gov/ftpdocs/102xx/doc10294/08-06-BudgetOptions.pdf>.