

Social Security and Medicare Trustees Release Annual Report

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The Social Security and Medicare Trustees Annual Report was released June 22, 2016. Projections regarding funding and viability of the government's largest program remained largely unchanged from last year. As in its 2015 annual report, the trustees maintain that without congressional action, the fund will be depleted in 2034.

In its 80-year history, the combined Old Age and Survivor Insurance (OASI) and Disability Insurance (DI) trust funds have collected \$19.0 trillion, and paid out \$16.1 trillion, leaving a surplus of \$2.8 trillion at the end of 2015. Optimists laud this surplus, claiming that the fund remains strong and effective, paying benefits on time and in full. Others warn of crisis if measures are not taken to address the fund's projected long-term shortfall.

The projected depletion by 2034 considers the OASI and DI funds combined. Considered separately, the trustees project that the OASI fund will be depleted in 2035, and the DI fund will be depleted in 2023. This depletion does not mean that retirees and disabled beneficiaries would receive nothing by these respective dates. Rather, the funds will have only enough revenue to pay a percentage of the individual's qualified benefit amount. For OASI, 79% of scheduled benefits could be paid in 2035. For DI, 89% of the scheduled benefits could be paid in 2023. As such, at these rates, a retiree receiving \$2000 per month, would receive \$1580 per month.

Again, this projected long-term shortfall is based on the status quo, or lack of meaningful policy change. Congress has various options to address this shortfall, including raising the payroll tax rate, increasing the cap on payroll taxes from the first \$118,500.00 in wages, or cutting benefits. While none of these options are popular, changes will likely be necessary to maintain the viability of the fund. Also challenging is the amount of time it will take to implement these changes to have meaningful impact. For example, the retirement age was raised by congress from 65 to 67 in 1983, and was not fully implemented for seventeen years, or until 2000.

Aside from the critical question of sustainability of the trust fund, Social Security faces additional issues in quality of service and processing claims. Chief among these is the backlog of disability claims pending at the hearing level. Claims pending at this level are at an historic high of 1.1 million. The average processing time for these claims has climbed to 530 days.

Office of Disability Adjudication and Review (ODAR)	Average Processing time
Akron	490 days
Cincinnati	625 days
Cleveland	508 days
Columbus	549 days
Dayton	433 days
Toledo	431 days

Hearing processing times in Ohio (9/26/15-5/27/16) Source: ssa.gov

In order to address this growing backlog, Social Security created the Compassionate and Responsive Service (CARES) Initiative earlier this year. Objectives of this initiative include:

- Hiring of 250 Administrative Law Judges (ALJs) each year through 2020
- Expanding the teams of agency attorneys to screen cases for on the record decisions
- Increasing the use of pre-hearing conferences
- Promoting a more “robust” screening program in which claims would be returned to the state agency for further review and decision
- Creating more ODAR office space for video hearings
- Use of Administrative Appeals Judges (AAJs) to hear non-disability related issues
- Allowing claimants to file electronic appeals at the Appeals Council

While these measures would improve processing times, and promote better quality of decisions, full implementation of this plan is unlikely in the foreseeable future. First, some of these initiatives will require regulatory changes. Further, Social Security will likely operate under continuing resolution, or CR, through the better part of 2017, providing the same amount of funding as the previous fiscal year. Assuming CR level funding, the agency will not have the money to implement the CARES initiative.

Budget issues will also impact other aspects of claim processing. A hiring freeze could be imposed, and overtime hours would likely be cut, further hindering the processing of claims at the initial levels of adjudication.

Meaningful change is necessary to remedy these issues. Congress must give serious consideration to policy options to circumvent imminent instability of both the OASI and DI trust funds. In addition to providing for the long-term viability of these programs, lawmakers must address the immediate issues of lengthy processing times and quality of adjudication in order to preserve this vital program, which provides to millions of the aged and disabled in order to meet basic needs.